

Palestinian Major Killed As Israel Launches Raid On Camp East of Beirut

BEIRUT — A Palestinian major was killed and three other guerrillas were wounded when Israeli planes attacked a camp in mountains east of Beirut, a spokesman for the dissident wing of the Palestine Liberation Organization's el-Fatah group said Monday.

Security forces said Israeli planes were still flying over the area Monday after the attack Sunday night.

The guerrilla spokesman said in

Damascus that Major Salem Suleiman Daoud, known as Abu Hassan, died and three followers of the rebel Palestinian leader, Sayed Musa, known as Abu Musa, were wounded in the attack on the camp near the town of Bhamdoun. The town on the Beirut-Damascus is four kilometers (2.5 miles) from Syrian lines at Sofar.

Major Daoud, an artillery battalion commander, was killed when an air-launched rocket hit an ammunition dump, the rightist Christian Phalangist radio quoted security sources as saying.

Military sources in Jerusalem said The Associated Press that the raid was mounted to warn the guerrillas against expanding into other troubled areas close to Israeli front lines. It was also a response to a statement on Sunday by the leader of the Lebanese Shiite Amal movement, Nabih Berri, that 50 young men were trained and ready to carry out suicide attacks against Israeli troops in south Lebanon, they said.

In Tel Aviv, an army spokesman said Israeli planes had returned safely after destroying a building at a base operated by the Democratic Front for the Liberation of Palestine, a grouping within the PLO.

The Israeli raid was the fourth in Lebanon in six weeks.

Newsmen's Release Is Urged

The Beirut-based Federation of Arab News Agencies called Monday for the release of the British Reuters correspondent, Jonathan Wright, missing in Lebanon for 12 days, Reuters reported.

Mr. Wright, 30, disappeared on Aug. 29 after he left Beirut on a reporting trip to an area of eastern Lebanon under Syrian control. A spokesman for the London offices of the Al Arab newspaper has said an unidentified caller claimed that the Moslem Socialist Revolutionary Organization had kidnapped Mr. Wright.

Colonel Mengistu was elected secretary-general of the Workers Party of Ethiopia, which was formally established Monday following a five-day founding congress.

Six other members of the ruling Provisional Military Administrative Council also were elected to posts in the new party, which will have a Soviet-style Politburo, Central Committee and cabinet.

It was not clear if the ruling council, which has governed Ethiopia since the 1974 revolution that deposed Emperor Haile Selassie, will automatically be dissolved or when a national assembly will be established. Colonel Mengistu has said he views the founding of the party as a first step to a Marxist-Leninist political democracy.

Total party membership was not known. Moves to establish a political party formally began in 1979 when Colonel Mengistu created the now-dissolved Commission for Organizing a Party of the Working People of Ethiopia.

The changes coincide with celebrations marking the 10th anniversary of the Sept. 12 revolution, which ended 50 years of feudal rule during which political activity was banned.

Colonel Mengistu and his supporters have since steered this country of an estimated 33 million people on a firmly pro-Soviet course and Ethiopia is considered one of Moscow's closest allies in Africa.

Ustinov to Watch Maneuvers

MOSCOW — The Soviet defense minister, Dmitri F. Ustinov, left Monday for Czechoslovakia to observe exercises by Warsaw Pact troops, the official press agency Tass reported.

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FDR enjoyed his dry martini in the then traditional manner: two parts gin to one part vermouth. Sir Winston, his friend and ally, acknowledged the traditional

role of vermouth merely by glancing at the vermouth bottle as he poured the gin.

History would appear to be on Churchill's side which is not surprising. After all, who knows more about gin than the English?



THE GIN OF ENGLAND



MAROONED — Flood victims stranded in the village of Ban Muen Srinol, in the Si Sa Ket province of eastern Thailand, waved to a passing relief unit to attract attention. They were evacuated soon afterward.

British Mine Leader Rejects Proposal For Contract Vote by Full Membership

EDINBURGH — A mine union leader rejected Monday the possibility of a vote by the union's membership on a settlement offer to end Britain's six-month coal strike.

Arthur Scargill, leader of the National Union of Mineworkers, insisted that a vote would be taken by a conference of delegates representing the 183,000 miners rather than by the individual members.

Mr. Scargill resumed negotiations Monday with Ian MacGregor, chairman of the state-owned National Coal Board.

Union leaders refused to discuss the talks, which are in their second day. The only comment came from

James Cowan, the coal board's deputy chairman, who said talks were going "moderately well."

Mr. Scargill angrily dismissed a report in the Daily Mirror that the union had agreed to put the board's final offer to a vote. The paper's owner, Robert Maxwell, helped arrange the negotiations.

The union's leadership called the strike without a vote of the membership, a move that split the miners. Moderates refused to strike without a vote and have kept one-quarter of the nation's 175 mines open despite picketing.

The Daily Mirror said a vote would give rank-and-file miners the opportunity to express their views.

Mr. Scargill, however, said any offer from the coal board would be voted on by delegates from the mining regions and not by the membership. He said, "Any settlement at any time will be determined by the special delegate conference that decided to put the overtime ban and strike action in effect."

The coal board, which loses around £1 billion (\$1.27 billion) a year, wants to close 20 money-losing mines, and 20,000 jobs, and concentrate on more profitable pits. The union says it makes no sense to close mines when Britain depends on coal for 82 percent of its electricity.

A national dock strike called Aug. 24 to support the miners picked up momentum Monday.

The Port Employers' Association said the walkout had idled 46 percent of Britain's sea trade, 7 percent more than at the end of last week. An 11-day strike in July paralyzed three-fourths of the nation's sea trade.

In addition to the longshoremen, there are about 20,000 other dock workers, such as tugboatmen and crane operators, most of whom are still working.

Britain's biggest passenger port, Dover, and its major container port, Felixstowe, were operating normally. But four of the nation's major ports, including Liverpool and Southampton, remained struck.

Earlier, striking miners scuffled with police outside a mine near Selby in Yorkshire as two miners went to work. Several miners, including the local union secretary, received minor injuries, police reported. Police said 10 pickets were arrested.

Elsewhere, a threatened rail and subway strike in the London area on Wednesday was called off by the National Union of Railwaymen for four weeks.

Jimmy Knapp, general secretary of the rail union, said union leaders wanted time to allow discussions and test-state-owned British Rail's "sincerity" concerning plans to streamline its operations.

Mr. Mondale's plan was "nothing new."

Asked whether he would present his own deficit-control plan, Mr. Reagan said, "I think I've said it more specifically than most other administrations in all the things we've been trying to do since 1981."

Lyn Nofziger, a political consultant to Mr. Reagan, denounced Mr. Mondale's plan as "a recovery-killing concoction which is ready-made to produce a recession that will throw millions of Americans out of work again, pile new and higher taxes on the backs of the average citizen and make deficits higher, not lower."

Regarding Mr. Mondale's proposal for a deficit-reduction trust fund, into which all revenues from the new tax increases would go, Mr. Nofziger said: "This is not a trust fund; it's a trust-of-fund. It introduced the concept of double taxation: one tax to reduce the deficit that Mondale helped to create and another tax that he will impose to pay for his promises. This is nothing more than the old-time religion for Walter Mondale — more promises, bigger spending and higher taxes."

Mr. Mondale has pledged in the past to cut deficits by two-thirds by the end of 1988.

But estimates of future deficits vary greatly, depending on predictions of economic growth and the level of interest rates.

The Congressional Budget Office predicts a budget deficit of \$238 billion by 1988; the Reagan administration says the deficit for that year would be \$176 billion.

Administration aides say the difference is that they predict interest rates of around 5.1 percent, whereas the budget office figure is based on a 9-percent rate.

Pope Speaks To Canada's Native Tribes

STE. ANNE DE BEAUPRE, Quebec — Pope John Paul II met with thousands of Indians and Eskimos on Monday at one of Canada's holiest shrines and told them their struggle for self-determination was a just one.

"Every people should... fashion its own economic and social development," the pontiff told the gathering at the twin-spired Basilica of St. Anne de Beaupre, for centuries a place of Indian pilgrimage.

At the end of his address, the pope switched into the Eskimo language and assured the native Canadians, "You are all my friends, and Jesus loves you all."

The meeting, the first of three the pope plans with native Canadians, was the major event of the second day of John Paul's 12-day tour of Canada.

Church officials said he specifically requested sessions with representatives of the more than 600,000 Indian, Eskimo and mixed-blood Canadians, who have for generations been locked in disputes with the white majority over claims to land and resources.

Standing on the breezy basilica steps and speaking mostly in French, the pope told the several thousand natives, representing many Indian tribes and the Eskimos, "You must be the architects of your own future, freely and responsibly."

He noted that Indians have suffered from prejudice and poverty and that Canada's leaders "want to rectify difficult situations," but he added that such government actions are "open, of course, to further progress."

Canada's natives have sought a greater measure of self-government. But the pontiff did not prescribe specific political remedies. The Roman Catholic Church, he said, "does not intervene directly in civil matters, but you know its concern for you."

In Quebec City on Sunday, at the outset of his Canadian tour, the pope told Catholics they must make faith the bedrock of modern culture. "Do not accept a divorce between faith and culture," he told 250,000 worshippers, including the outgoing prime minister, John Turner, at an open-air Mass.

Nancy Reagan Against Abortion, Aide Asserts

WASHINGTON — A spokeswoman for Nancy Reagan denied Sunday that the First Lady was suggesting in a newspaper interview that there were circumstances under which she could support a woman's having an abortion.

During the interview, Mrs. Reagan was asked if she would have had an abortion or would have recommended one for her daughters if the pregnancy resulted from rape. Mrs. Reagan was quoted as answering, "I don't know," and then suggested that such a decision could not be made until the circumstances arose.

The spokeswoman, Sheila Tate, pointed out that President Ronald Reagan has been a staunch opponent of abortion. Mrs. Tate said Mrs. Reagan also opposed abortion and was responding to a hypothetical question. She was not seeking to express a particular point of view, Mrs. Tate said.

"She didn't want to speculate, so she said 'I don't know,'" Mrs. Tate said. She said the issue was one that Mrs. Reagan "really didn't want to get involved in." She said Mrs. Reagan had no obligation to explain her position further because she is not an elected official or a person seeking office.

WORLD BRIEFS

Gale Ruptures Sunken French Ship

OSTEND, Belgium (AP) — A gale Monday broke into two parts the hull of a French freighter containing radioactive cargo, the Belgian Ministry of Environment reported, according to the news service Agence Belga.

Salvage workers, who have been trying to retrieve the ship's 30 containers of uranium hexafluoride, feared that the storm, with 12-foot (4-meter) waves, would free the barrels from the hull. Earlier in the day, one of the ship's fuel tanks was breached, sending an oil slick drifting toward Belgian beaches.

The freighter, the Mont-Louis, sank Aug. 25 on a sand bank in the North Sea 12 miles (20 kilometers) off the Belgian coast after colliding with a passenger ferry.

Hurd Replaces Prior in Ulster Post

LONDON (Reuters) — Margaret Thatcher, the British prime minister, named Douglas Hurd on Monday to replace James Prior as secretary of state for Northern Ireland.

Mr. Hurd, 54, thus stepped up to one of the most demanding jobs in British politics. He was at the Foreign Office in the first Thatcher government from 1979 to 1983 and was switched to a ministerial post in the Home Office when the Conservatives were re-elected in June 1983.

The change was forced on Mrs. Thatcher when Mr. Prior, 56, made clear earlier this year that he wanted to quit. He was unable in three years to foster some form of power-sharing between Ulster's Protestants and Catholics.

Begin in Hospital; Surgery Possible

JERUSALEM (UPI) — Former Israeli Prime Minister Menachem Begin entered Shaare Zedek Hospital Monday for treatment of a prostate problem, a hospital spokesman said, adding that a decision would be made within a day or two on whether surgery would be necessary.

An aide said Mr. Begin, 71, was in good spirits. Reported for some time to be in ill health, the former prime minister has been a virtual recluse since abruptly resigning office in September 1983.

A hospital spokesman said the prostate trouble was "not unusual for a man his age." The prostate is a small gland that surrounds the urethra, the tube that drains urine from the bladder. In older men, it frequently becomes enlarged and blocks the flow.

Indian Troops Arrest 67 in Hyderabad

NEW DELHI (AP) — Troops arrested 67 people Monday as Moslem-Hindu violence continued in the southern city of Hyderabad, capital of Andhra Pradesh state. Police reported nine deaths, 130 injuries and more than 350 arrests in two days.

In the neighboring state of Madhya Pradesh, the authorities ordered a three-day curfew Monday in the town of Sendhwa after at least three people were killed in Moslem-Hindu clashes.

In the northern state of Punjab, troops and police arrested more than 1,250 farmers, forcing cancellation of an anti-government rally Monday, United Nations of India reported. The rally had been called to protest economic policy, but the government said militant members of Punjab's Sikh minority might try to exploit the protest.

New Zealand Leader Rebuffs Party

WELLINGTON, New Zealand (UPI) — Prime Minister David Lange said Monday his government would not implement a resolution passed at the annual conference of the ruling Labor Party to withdraw from military exercises and alliances with nuclear powers.

The motion, passed Sunday, would have resulted in New Zealand's withdrawal from the ANZUS defense alliance with the United States and Australia. Mr. Lange said, "It is not the declared policy of the Labor government or the Labor Party to make a unilateral withdrawal from ANZUS."

However, a government spokesman said New Zealand would stand by its earlier decision to ban visits by nuclear-powered or nuclear-armed ships, a stance the United States sees as threatening the alliance.

U.K. Social Democrats Bar Merger

BUXTON, England (AP) — Leaders of Britain's Social Democratic Party on Monday ruled out a merger with their ally, the Liberals, but vowed to preserve the alliance, saying neither party could survive alone.

Speakers by the Social Democratic president, Shirley Williams, and her predecessor, Roy Jenkins, appeared aimed at satisfying a growing sentiment among party supporters in favor of a merger. "Divided, we cannot prevail in a harsh political climate," said Mrs. Williams in a speech at her party's annual conference in this town in northern England.

Mr. Jenkins said: "Two parties we are, but we are in this together for good." He declined to go further, saying, "I have no wish to see this party tie itself in knots by seeking a forced or premature merger."

UN-Sponsored Talks on Cyprus Open

UNITED NATIONS, New York (AP) — UN-sponsored talks to find a solution to the Cyprus problem opened Monday with Spyros Kyprianou, the president of Cyprus, saying the situation was "delicate and critical" and too uncertain to make any predictions.

Mr. Kyprianou, leader of the Greek Cypriot community, made the remarks before meeting with UN Secretary-General Javier Perez de Cuellar in the first session of the talks Monday morning. Mr. Perez de Cuellar was scheduled to meet with Rauf Denktaş, president of the self-proclaimed Turkish Republic of Northern Cyprus, on Monday afternoon.

The talks were scheduled for Monday and Tuesday with the UN chief meeting alternately with the two Cypriot leaders.

Iraq Claims Direct Hit on Gulf Target

BAHRAIN (Reuters) — Iraq said its aircraft had scored a direct hit Monday on a "large naval target," a term it generally uses to mean an oil tanker, south of Iran's main oil terminal on Kharg Island in the Gulf.

The announcement came after a two-week lull in air attacks on Gulf shipping. There was no immediate independent confirmation.

The last such air strike was on Aug. 27, when the Panamanian-registered Cleo-I was damaged by a rocket apparently fired by an Iranian jet. The last Iraqi attack was three days earlier, when the Cypriot-registered Amethyst was hit, causing a fire which took nearly a full day to put out.

South Africa Orders 7 Rearrested

JOHANNESBURG (Reuters) — Fresh detention orders have been issued for seven opponents of the South African government freed by a court on Friday, a spokesman for the Law and Order Ministry said Monday.

The seven, including Archie Gumede, president of the anti-apartheid United Democratic Front, had been held without charge since just before controversial elections to a new Parliament last month. The spokesman said all seven were at large and were being sought.

In Johannesburg's black township of Soweto, youths stoned a school and two delivery trucks Monday in continuing unrest that has claimed about 40 lives in the past two weeks, police said, and at Warmbaths, north of Pretoria, youths set two cars on fire. No injuries were reported.

For the Record

Canada's Liberal prime minister, John Turner, announced Monday that Conservative leader Brian Mulroney, winner of last week's parliamentary election by a landslide, would assume office Sept. 17.

The Soviet Union has revoked the citizenship of Lyudmila I. Skinner, Russian widow of a British banker, Donald Skinner, who plunged to his death in Moscow last year and who was said to have maintained contacts with the KGB and British intelligence. Moscow officials confirmed Monday. Mrs. Skinner and her two sons have lived in England since 1981.

The governing Botswana Democratic Party won a strong majority in elections Saturday for the National Assembly in one of Africa's few surviving multiparty democracies, according to results announced Sunday.

Nine Sri Lankan soldiers were killed Monday when separatist Tamil guerrillas blasted an army convoy with a land mine. Defense Ministry sources said, and four guerrillas were killed in the ensuing gun battle.

Salvador Dalí, 80, the Spanish surrealist artist, who underwent surgery on Friday in a Barcelona clinic for burns threatening his life, is in stable but still serious condition, one of his doctors said Monday.

The first Libyan diplomat accredited to Britain since the diplomatic rupture caused by the Libyan Embassy siege in April, Salah Eddin Mahdi Mouslam, took up his post over the weekend, the Foreign Office announced Monday. He will work at the Saudi Arabian Embassy.

Khmer Rouge guerrillas ambushed a train Sept. 3 in central Cambodia, killing 45 Vietnamese troops, a guerrilla radio report said Monday.

The space shuttle Discovery, riding piggyback atop a jumbo jet, returned Monday to the Kennedy Space Center at Cape Canaveral, Florida, from Edwards Air Force Base, California, where it landed Wednesday following its six-day maiden voyage in space.

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WORLD BRIEFS

Sunken French Ship

(AP) — A gale Monday broke into two parts, one containing radioactive cargo, the other reported, according to the news service. The ship had been trying to retrieve the ship's hull, fearing that the storm, with gusts to 60 mph, would cause the hull to be breached, sending an oil slick into the sea.

es Prior in Ulster Post

— Margaret Thatcher, the British prime minister, Monday to replace James Prior as second deputy prime minister. Thatcher was promoted to one of the most demanding jobs in the Foreign Office in the first place in 1981 and was switched to a ministerial post in the Conservative government in June 1982. Thatcher was promoted to prime minister in June 1983. He was unable to share the power between Ulster's Protestant and Catholic communities.

ospital; Surgery Possible

— Former Israeli Prime Minister Menachem Begin Monday for treatment of a prostate gland tumor. Begin, 71, was in good health. He was in the hospital for a prostate gland tumor. He was in the hospital for a prostate gland tumor. He was in the hospital for a prostate gland tumor.

s Arrest 67 in Hyderabad

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Leader Rebuffs Party

— Prime Minister David Lange Monday to implement a new policy of the ruling Labour Party. Lange, 41, was in the Labour Party. Lange, 41, was in the Labour Party. Lange, 41, was in the Labour Party.

ocrats Bar Merger

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talks on Cyprus Open

— New York (AP) — UN-sponsored talks Monday to open the Cyprus talks. The UN-sponsored talks Monday to open the Cyprus talks. The UN-sponsored talks Monday to open the Cyprus talks.

Direct Hit on Gulf Tar

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Authors Wanted

— Authors wanted by N.Y. publisher. The N.Y. publisher wanted authors. The N.Y. publisher wanted authors. The N.Y. publisher wanted authors.



GUESS WHO — Pottery mugs of Ronald Reagan are being made at the Royal Doulton factory in Burslem, England. They will be sold in the United States to benefit the James S. Brady Presidential Foundation, formed to pay expenses for the presidential press secretary. He was wounded during the 1981 attempt on Mr. Reagan's life.

Some Democrats in Congress Shying From a Ride on Mondale's Coattails

By Hedrick Smith
New York Times Service
WASHINGTON — The beginning of the presidential campaign has caused some congressional Democrats to worry out loud that Walter F. Mondale may have given Republican strategists new hope of restoring the legislative coalition that gave President Ronald Reagan his most important victories in 1981.

Representative Thomas P. O'Neill Jr., Democrat of Massachusetts and speaker of the House, indicated last week that there was nervousness among House Democrats about a Republican landslide when he called on Mr. Mondale to "come out slugging" against the president.

"Members are worried that if it's going to be a 20-point loss, they're going down, too," said one well-placed Democratic congressional strategist.

On the other side, Republican strategists were talking more confidently than in August of maintaining the size of their majority in the Senate and picking up 25 to 30 seats in the House.

"There's a prairie fire for Reagan," said Representative Guy Vander Jagt of Michigan, chairman of the National Republican Congressional Committee, while traveling through the Southwest and Texas.

"Our campaigns are better organized than just two weeks ago and there's a better feeling because of Reagan. Getting back the 26 House seats we lost in 1982 is well within our grasp."

In the Senate, where Democrats talked last spring of taking control from the Republicans, who now hold 55 seats to the Democrats' 45, most Democratic strategists have lowered their expectations, although they still contend they will pick up two or three seats.

But Republican leaders such as Senator Richard G. Lugar of Indiana contend that with the opinion polls showing Mr. Reagan comfortably ahead and several incumbent Republican senators with widening leads over challengers, the Republicans will probably hold their current majority.

Both parties are watching the Senate and House races closely on the ground that unless the Republicans hold a Senate majority and pick up 25 to 30 seats in the House, Mr. Reagan would have great difficulty getting his program through Congress even if he did win a second term. After the Republicans lost 26 House seats in 1982, leaving them at a 269-166 disadvantage, he was largely frustrated.

Representative Tony Coelho of California, chairman of the Democratic Congressional Campaign Committee, contends that the Republican hopes and even some jitters in his own party are exaggerated, a view shared by some other Democratic strategists. "I think the presidential race will be very close," Mr. Coelho said, with the result that the congressional makeup will not change significantly. "The worst we'll do is a five-seat loss, and the best we'll do is a five-to-seven-seat gain."

Nonetheless, Mr. Coelho conceded that this year's congressional "smell" Democrats were panicking because of what they saw as "a rocky start" to the Mondale campaign and because of a poll published by the Los Angeles Times showing Mr. Mondale 27 percentage points behind Mr. Reagan.

Aides to Speaker O'Neill said that a number of Democratic members of the House had come back from the August recess reporting strong support for Mr. Reagan in their districts and worried that Republican challengers might ride his coattails into office, as in 1980, unless Mr. Mondale put up a stronger fight.

"People try to deny that there are presidential coattails, but that's nonsense," said an aide to Mr. O'Neill. "Every point Mondale gains, we pick up a few more seats. That's putting it positively, and of course it works the other way, too."

Among those known to be concerned, for example, is Representative Peter H. Kostmayer, who represents a heavily blue-collar district around Lehigh, outside Philadelphia. Mr. Kostmayer first won the seat in 1978, lost it in 1980's Reagan landslide and won it back in 1982.

Mr. Kostmayer's private polls reportedly show him well ahead of his less-well-known challenger, Dave Christian, at this stage, but he also shows Mr. Mondale with only 27 percent backing against 61 percent for Mr. Reagan. Some Democratic strategists say that unless Mr. Mondale can get more than 35 percent of the vote in November, Mr. Kostmayer may lose because too many people may vote a straight Republican ballot.

That is the Republican hope in a score or more House districts and as many as 10 Senate races.

The Democrats have pinned their best hopes for gains on unseated Senators Roger W. Jepsen of Iowa, Jesse Helms of North Carolina and Charles H. Percy of Illinois and taking the Tennessee seat being vacated by Howard H. Baker Jr., who is retiring. J. Brian Atwood, executive director of the Democratic Senatorial Campaign Committee, predicted in an interview that if the elections were held now, the Democrats would carry all four of those.

In Tennessee, both parties see Representative Albert Gore Jr., the Democrat, with a strong lead.

But Mr. Lugar, chairman of the Republican senatorial campaign committee, asserted: "If things fall right, we ought to win all three: Helms, Jepsen and Percy."

According to opinion polls cited by both parties, the Republicans are better off than earlier this summer in defending their Senate seats in New Hampshire, Minnesota, Mississippi and Texas, four secondary targets of the Democrats. But Democrats such as Mr. Atwood contend that Republican hopes are inflated because expensive Republican advertising campaigns in those four states have widened the leads of three Republican incumbents and a fourth Republican, Representative Phil Gramm of Texas, who is seeking the seat being vacated by John Tower.

Plan to Ease Congestion at N.Y. Airport Is Approved

By Reginald Stuart
New York Times Service
ARLINGTON, Virginia — Airlines serving New York's La Guardia Airport agreed Sunday to flight schedule revisions that could begin easing flight congestion and delays by November.

A tentative agreement was reached last Saturday on spreading out arrivals and departures at Kennedy International Airport in peak travel hours. Airline company negotiators also said that they were near agreement on peak-hour schedule revisions for Hartsfield International Airport at Atlanta, Stapleton International at Denver and O'Hare International at Chicago.

Negotiations between the carriers and the Federal Aviation Administration on similar plans for Newark International Airport were scheduled to begin Monday. No details of any of the plans were made available.

However, several key airline officials said in interviews that the agreements could fall apart if the government failed to restrict flights by private planes in the metropolitan New York area.

All agreements are subject to approval by the Civil Aeronautics Board, the federal regulatory agency that authorized legal industry talks on schedule revisions, and the FAA, which regulates use of the nation's airways.

Jack Ryan, head of the operations division for air traffic service at the FAA, said he thought the planned changes at La Guardia and Kennedy would meet the agency's guidelines for schedule revisions.

Daniel F. Klein, director of strategic planning for Eastern Airlines, the largest carrier operating at La Guardia, offered a guarded endorsement.

"There are some sacrifices but we can live with them," Mr. Klein said. "The carriers are doing their part to make the government plan work. There are still some unanswered questions. It would be a shame if we moved some departures to make way for general aircraft from Westchester County."

Mr. Klein's reference echoed his earlier Sunday that the government plan flight restrictions on nonline flights in the metropolitan New York area as part of any plan to ease flight congestion and delays at the three major airports.

He also demanded that the FAA strictly enforce its present limit on the number of arrivals and departures at La Guardia each hour, declaring that many carriers are ignoring the rules. Agency regulations now allow a total of 68 arrivals and departures at La Guardia each hour, including 48 for air carriers, 14 for commuter and 6 for general aircraft.

Each carrier is allowed a set number of those slots, allocated by industry scheduling committees.

Edward P. Feltz, acting general counsel of the FAA, said that the agency planned to take enforcement action against carriers that have scheduled more than their fair share of flights. He said, for example, that enforcement proceedings had already been initiated against Air Canada.

Mr. Ryan acknowledged that rules governing flights by private aircraft needed study but discounted industry assertions that such activity contributed to congestion.

Speakers for the general aviation industry said private planes accounted for a small proportion of total operations in the metropolitan New York area.

The FAA says the six airports have been responsible for approximately 76 percent of the flight delays in recent months.

President's Power and Nuclear 'First Use'

Pentagon Rejects Idea That White House Should Get Approval of Congress

By Charles Mohr
New York Times Service
WASHINGTON — A policy analyst has recommended that the president be required to obtain the consent of a congressional committee before ordering first use of nuclear weapons. The Pentagon rejected the idea, saying that the president should have the exclusive right to order first use of the arms.

The question has come in increasing attention as some people have argued for a policy of "no first use" and others for one of "no early first use." The government sticks to the view that possible first use should be retained to serve off a conventional attack in Europe or in the Korean peninsula.

The issue was raised by Jeremy J. Stoen, the director of the Federation of American Scientists, in the fall issue of Foreign Policy magazine.

Raoul Berger, a writer on constitutional law, supported Mr. Stoen's opinion at a news conference last week. They said, however, that the president should retain the right to order a prompt retaliatory nuclear strike if the Soviet Union used nuclear weapons against the United States or its allies.

As understood by nuclear strategists, first strike would be a surprise attack with nuclear weapons and first use would entail the use of nuclear weapons if a nonnuclear, or conventional, armed attack could not be contained by conventional means.

The option of first use has been the policy of the United States since the Eisenhower administration, although some people such as de Gaulle doubted that it would ever be carried out.

In a letter to Mr. Stoen of the scientists' federation, Chapman B. Cox, general counsel of the Department of Defense, said that "we do not agree" with the contention that, in the absence of an unlimited declaration of war, the president should be required to consult Congress before first use in a conventional war.

The strategy to deter Soviet attack in Europe, Mr. Cox wrote, "rests on the policy of flexible response, which would include the use, as required, of conventional weapons, nonstrategic nuclear weapons and strategic nuclear weapons. To ensure that the flexible-response policy actually deters, a potential aggressor must be convinced that NATO is indeed ready to use any of the weapons it possesses, including, if necessary, nuclear weapons."

Nonstrategic nuclear weapons are those for tactical battlefield or short or medium range; strategic weapons are those with intercontinental range.

Mr. Stoen proposed that Congress set up a joint nuclear planning committee and that the president be required to seek its consent before ordering first use. He said he believed the committee should be made up of leaders of the Senate and the House and of the top two members of such standing committees as those on armed services and foreign policy.

Mr. Cox, the Pentagon counsel, called the proposal an "additional procedural requirement" on first use and contended that it would tend to undermine the North Atlantic Treaty Organization's deterrence policy.

Since the short flight times of missiles (30 minutes or less) allow little time for consultation, Mr. Stoen and Mr. Berger said, the president should retain the right to order prompt retaliation, or a second strike, if the Soviet Union were to attack the United States with a first strike.

As for a conventional war, Mr. Stoen's article said, it would not be decided in minutes, hours or even a few days and there would be ample time for a president to consult the proposed joint committee or even the full Congress before first use.

The Southern Sheriff, Once a King, Is Dethroned

By William E. Schmidt
New York Times Service
ATLANTA — Among the 5,000 residents of rural Dawson County, Sheriff John D. Davis was the law. The fact that he had once served time in the federal penitentiary for moonshining and the gossip that he was the target of a federal drug investigation did not seem to bother most people.

Now, less than a month after he had been re-elected to a third term, Sheriff Davis, 51, is in jail. He is being held on \$3-million bail after U.S. agents arrested him in Florida on Aug. 30 and charged him with conspiring with five others to import and distribute marijuana, cocaine and methamphetamine.

Sheriff Davis, who pleaded not guilty, is one of 21 current or former sheriffs in Georgia and Tennessee to have been indicted in three years on charges ranging from narcotics trafficking to tax evasion. So far, 13 have been convicted and sentenced to prison. One has been acquitted.

Over the years, the Southern sheriff has been regarded as a figure of almost mythical proportion. In films, he was usually portrayed as a portly, bearded, in real life, he has more often been a shrewd country politician who ruled his county like a king.

"I think all these arrests and cases serve to signal the end of an era in Southern law enforcement," says Phil Peters, executive director of the Georgia Bureau of Investigation. "The ones we are catching now are those sheriffs who have refused to move into the 1980s, the ones who want to operate the way they have in the past. These days, that's just not going to fly."

The number of cases developed against sheriffs also reflects the dramatic increase in the level of narcotics trafficking in the Deep South. Drug importers, seeking to evade coastal surveillance in Florida and Texas, have established new routes to bring their goods into the United States from South America.

In the mountains of eastern Tennessee, four rural sheriffs have been convicted over the last two years of a variety of narcotics offenses, ranging from the sale of drugs to taking bribes from drug importers.

"For years it's almost been a way of life for these rural sheriffs to take petty payoffs from prostitutes and moonshiners and gamblers," said John Gill, the U.S. attorney in Knoxville, who has directed the successful prosecution of the four Tennessee sheriffs. "Now you get drug dealers coming around waving \$10,000 payoffs in the face of men who maybe make only \$20,000 a year, and you can see what is going to happen next."

Most of the Southern sheriffs arrested in the past three years were



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U.S. Aid in Afghanistan Gains Political Backing

By Don Oberdorfer
Washington Post Service
WASHINGTON — The supposedly secret U.S. aid to anti-Soviet insurgents in Afghanistan has won increasingly prominent political support in the United States as charges are being made that the aid is insufficient.

In a change from their 1980 positions, the national platforms of both the Democratic and Republican parties recently endorsed U.S. support for the Afghan "freedom fighters." The 1984 Democratic platform even endorsed "material assistance" for the insurgents.

Such aid was secretly begun in the Carter administration and has continued in the Reagan administration, but without public acknowledgment. In late July, however, the House Appropriations Committee gave widely publicized approval to a supplemental grant of \$50 million in aid to the rebels. Lawmakers who traveled to Pakistan, where most of the exile groups are based, apparently generated the additional assistance.

According to the Federation for American Afghan Action, a lobbying organization calling for more and better U.S. aid to the resistance, \$325 million in CIA funds has been spent on this program since it began shortly after the December 1979 Soviet intervention. The Afghanistan program is the largest covert CIA operation, according to a congressional source.

Andrew L. Eiva, executive director of the lobbying group and a former U.S. Army captain, charged that he found many U.S.-supplied arms to be of poor quality or in

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Disarmament Conference To Resume In Europe

STOCKHOLM — The Conference on European Security and Disarmament resumes Tuesday with delegates doubting that its third session will bring them any closer to beginning negotiations on reducing the risk of war in Europe.

The 35-state conference, with participants from all the nations of Europe except Albania, plus the United States and Canada, began in January with a mandate to negotiate confidence-building measures in Europe. So far, it has failed to move forward from formal plenary meetings.

"We're starting from scratch again," a Western delegate said. The conference is effectively the only arms forum in which the United States and the Soviet Union are still talking to each other. Talks between the two nations on limiting medium-range nuclear missiles in Europe collapsed in December.

The Geneva conference on chemical weapons was adjourned at the end of August, and talks in Vienna on mutual and balanced force reductions are deadlocked.

Stockholm's second session ended in July with Moscow rejecting a Swedish initiative suggesting that two working groups should be set up to deal with specific issues such as notification of military exercises and the exchange of observers.

There is still a basic disagreement between East and West about what they should be discussing. The North Atlantic Treaty Organization wants to discuss military specifics while the Warsaw Pact wants parallel talks on non-use of force and a non-first-use policy on nuclear weapons.

Western delegates said the international situation had become more uncertain in the two months since the last session, partly because of the cancellation of planned visits to West Germany by the East German leader, Erich Honecker, and President Todor Zhivkov of Bulgaria.

They said rumors about the health and standing of President Konstantin U. Chernenko also could be unsettling.

East German Defector Shot
The Associated Press
HANNOVER, West Germany — A man was shot and dragged away by East German border guards at the frontier Monday while apparently trying to escape to the West, West German police said.

The West German border guards said they could not tell how badly the man was wounded.



ECUMENICAL GREETING — The Reverend Billy Graham was welcomed at the Moscow airport by Metropolitan Filaret of Minsk, the Russian Orthodox Church's specialist on foreign affairs. He was starting a preaching tour of four Soviet cities.

Genetic Matter of AIDS-Linked Virus Is Grown by Scientists in California

By Harold M. Schmeck Jr.

NEW YORK — Scientists in California say they have successfully grown in the laboratory all of the genetic material from a virus that is a probable cause of acquired immune deficiency syndrome, or AIDS.

Cloning the genes of the virus is considered an important step in the research aimed at developing a treatment for AIDS.

Once the genes have been cloned, they can be grown in large quantities. Copies of individual genes can be used to turn laboratory bacteria or yeast into living factories that can manufacture key substances from the virus. Such laboratory-grown substances might be used for improved diagnostic tests or as a vaccine against the disorder.

At present there is no vaccine against AIDS and no known effective treatment. Experts say that most patients diagnosed as having AIDS will die of the disease.

The report of the successful cloning was made Sunday by scientists of the Chiron Corp., a biotechnology company in Emeryville, California. They used a virus discovered by a research team at the University of California at San Francisco led by Dr. Jay A. Levy.

Customarily, such findings are reported first by publication in a scientific journal, but research on AIDS has been characterized by intense international competition.

Evidently as a result of this competitive atmosphere, officers of Chiron announced their accomplishment Sunday, giving a description of the process by which the cloning was achieved but without waiting for formal publication.

Since the existence of AIDS first became known in 1981 there has been a worldwide search for its cause and for ways of treating or preventing it.

Most of the approximately 6,000 known victims of the disease are homosexuals. Others considered at high risk of developing AIDS include people who take drugs by injection and such people as hemophiliacs who need frequent blood transfusions or blood products.

Experts are concerned over the possibility that the disease might spread more widely. The Centers for Disease Control in Atlanta, the federal agency responsible for surveillance of AIDS cases, reported recently that more than 76 percent of all AIDS patients diagnosed before July 1982 had died.

AIDS patients suffer a catastrophic decline in their immune systems, making them easy targets for infection. They also commonly develop cancers of a kind thought to be related to serious defects in immunity. Scientists believe AIDS is probably caused by a virus or viruses that deplete the immune system of important defensive cells of a class called T lymphocytes.

While scientists are working intensively toward the goal of developing a vaccine, many of them concede that the task may be extremely difficult because the disease presents so many mysteries and because it seems to begin with damage to the immune system, which must be engaged for any vaccine to be effective.

Viruses discovered by three research teams have been implicated recently as probable causes of AIDS.

Haitian Triplets Barred by School

The Associated Press
MIAMI — A set of Haitian triplets will be barred from attending public kindergarten classes because the 4-year-olds show preliminary symptoms of AIDS, according to a Florida newspaper.

Dade County school officials said there was concern that the triplets, who were not identified, could infect their classmates, the Orlando Sentinel reported Sunday.

Greeks Fear New Era of Political Feuding

By Paul Anastasi

ATHENS — Personal criticism by Greece's Socialist prime minister of the new leader of the conservative opposition has caused concern over a possible return to the bitter political feuding of the mid-1960s.

The tense atmosphere 20 years ago is regarded as having helped create the conditions for the start of a seven-year military dictatorship in 1967.

In a speech Sept. 2, Prime Minister Andreas Papandreu described Constantine Mitsotakis, the new leader of the New Democracy Party, as "a nightmare" and accused him of having joined with King Constantine in 1965 to overthrow Mr. Papandreu's father, George Papandreu.

The prime minister said Mr. Mitsotakis was responsible for the 1967 coup, the military dictatorship and the Turkish invasion of northern Cyprus in 1974.

"I truly believe that the fact that New Democracy's legislators managed to choose a nightmare for their leader is proof of their degeneration," Mr. Papandreu said. He said that, because of Mr. Mitsotakis's record, he would not speak with him.

"I do not intend to hold a dialogue with someone who betrayed his leader and his party, and who is responsible for the seven-year dictatorship and the Cyprus tragedy," he said.

Mr. Papandreu's statement was widely criticized by opposition politicians and many newspapers. They feared that it could herald a return to the crisis of the 1960s and to the acrimony that has often troubled Greek politics.

Pro-government newspapers largely supported Mr. Papandreu. Some are publishing serialized accounts of the crisis of 1965-67, laying most of the blame on Mr. Mitsotakis.

Mr. Mitsotakis conceded that he has had to overcome a reputation as a political opportunist dating from 1965, when he and other legislators defected from George Papandreu's Democratic Center Union Party to form a coalition with the conservatives.

It appears that the present Papandreu government has decided to focus on the personal record of Mr. Mitsotakis as a means of campaigning for the next election.

One person determined to prevent a revival of personalized political feuding is President Constantine Karamanlis. Last Wednesday, sources reported, he asked the conservative leader to avoid a personal dispute. Mr. Karamanlis is reported to have made the same request to Mr. Papandreu.

Mr. Mitsotakis said he was confident the dispute would be resolved.

"The events of the mid-1960s will be clarified through open dialogue and not through history written by myself or Mr. Papandreu," he said.

"Despite the vulgar language he used, I am sure Mr. Papandreu does not really mean he will not speak or meet with me. It will always be necessary for the prime minister and the opposition leader to discuss matters, whether he likes me or not."

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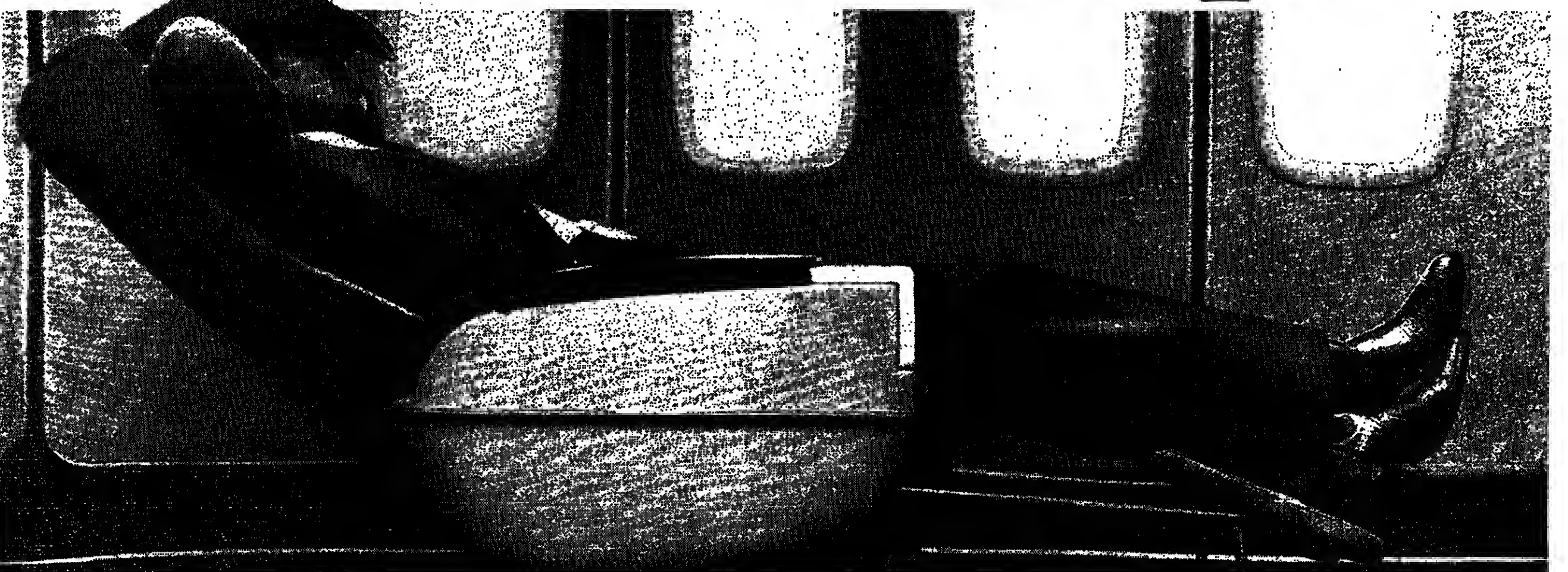
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Herald Tribune

Published With The New York Times and The Washington Post

Squandering Antibiotics

It is hard to read without wonder about the long series of unlikely events that enabled Alexander Fleming to discover penicillin. The folly, greed and neglect with which the priceless gift of antibiotics is now being squandered command almost equal awe.

Antibiotics are a uniquely potent defense against bacteria, but they possess a fatal weakness: If used to excess, their power fails. That is what is now happening because of doctors who over-prescribe antibiotics and farmers who routinely add them to animal feed.

Many disease bacteria are now resistant to six or more different antibiotics. They can be killed by others to which they have not yet acquired resistance, but the fallback antibiotics are often more toxic and more expensive than those they replace. And there is no guarantee that there will always be new antibiotics in reserve. Some biologists fear the day may come when 80 percent of infections are resistant to all known antibiotics.

About 40 percent of the antibiotics produced in the United States are used not to control disease but because of a strange side effect: They promote growth in farm animals. All poultry and most pigs and cattle receive low doses of antibiotics in their feed.

The practice ensures the widest possible spread of resistance. With daily doses of antibiotic in the animals' feed, the resistant bacteria have an overwhelming advantage over others. The genes that confer resistance are easily transferred from one bacteria to another, even to different species.

Some European countries long ago banned

medically useful antibiotics from animal feed. They feared that resistance genes were being transferred from animal bacteria to those that infect humans. In 1977 the U.S. Food and Drug Administration followed suit, proposing to reserve penicillin and tetracyclines for combating disease. Farmers could switch to alternatives for promoting animal growth.

But Congress has persistently thwarted the proposal, demanding one new study after another. Producers of feed antibiotics, a \$250-million-a-year industry, contend that hospitals, not farms, are the main breeding grounds of resistance, and that it is mere speculation to suppose that disease bacteria that gain resistance on a farm ever in fact infect humans.

Just such a case has now been documented by the Centers for Disease Control. Investigating an outbreak of food poisoning in Minnesota, researchers traced back the chain of transmission from the patients to a consignment of hamburger, to the supermarkets where it was sold, to the meat broker, to the farm where the beef was raised. There they found that the farmer had fed tetracycline to his herd.

The frequency of traffic between the animal and human pools of bacteria is hard to assess, but it could be high. Rather than risk continued debilitation of antibiotics needed for human and animal disease, why not let farmers pay a few cents more for the available alternatives? Congress has needlessly stalled the obvious remedy for seven years. Further delay could well earn it the landmark opprobrium of helping render penicillin completely useless.

—THE NEW YORK TIMES.

The Same Goes for Steel

President Reagan was clearly right to deny protection to the American copper producers. To refuse to protect a domestic industry in distress is always difficult for a president, and more difficult than ever in the midst of an election campaign. But it is generally true that import quotas and tariffs do more harm than good to the economy, and the copper industry is a particularly explicit example.

The American producers argued that their markets were being invaded by subsidized copper from abroad. Subsidized or not, the imports were setting the world price. If Mr. Reagan had given the producers the protection that they wanted, the immediate result would have been higher copper prices forced on the American manufacturing industries that use copper. That in turn would have handicapped those American manufacturers in meeting their own foreign competition. As they lost sales, they then would have come to the government for protection from imports made with cheaper copper. Far more jobs would have been lost than saved.

Protecting primary metals is always particularly dangerous. If government keeps out the crude metal because it is too cheap, it will enter the country in the form of finished products. That increases the effect on unemployment.

Mr. Reagan's next major trade decision, due later this month, will be on steel. It will be

more important than the copper decision in terms of jobs, dollars and implications for U.S. industrial policy generally. But the issues will be similar. Again the domestic industry claims that its foreign rivals are subsidized. Again it seeks import quotas that would raise steel prices for American manufacturers and leave them at a disadvantage in their struggles to hold their markets against foreign competitors. A higher domestic price for steel would be welcomed by the steel makers, but it would be a real threat to automobile manufacturers.

There has been much speculation that, as a matter of political tactics, denying protection to copper gives Mr. Reagan more latitude to help steel. Mr. Reagan has always strongly advocated open markets. In view of all these speeches and statements, according to this line of reasoning, perhaps he felt that he could not protect both the copper and the steel industries — and, having to sacrifice one of them, chose the one that was less powerful and more dispensable. That suggestion seems excessively cynical, even by the standards of trade politics.

International trade is one area to which Mr. Reagan's doctrine of the free market really applies, and in which he can genuinely strengthen the economy by pursuing it. He applied the right principle in the copper decision, and the principle is the same for steel.

—THE WASHINGTON POST.

Other Opinion

Israel: 'Becoming an Illusion'

The state of Israel is in danger of becoming an illusion. For all its military prowess and its ever-expanding borders, it is a country which cannot stand on its own two feet.

Economically Israel is well on the way to the status of a U.S. client state, and even politically its future now depends as much on the whims of the American electorate as on the will of the Jewish people. The economic crisis derives from a combination of enormous defense spending, swollen further by the invasion of Lebanon and the outgoing government's accelerated program of West Bank settlements, and a series of consumption subsidies which successive Likud governments have deployed to maintain their popularity. The books have been balanced by a volume of U.S. aid which has made the Israelis the most heavily subsidized people on Earth.

Now even the annual \$2.6 billion which Israel receives from the United States is inadequate. Next year Israel is likely to ask for nearly twice as much. Israel's true friends should resist such appeals. The people and politicians of Israel must bear the costs of creating a stable, self-sufficient economy capable of supporting a genuinely sovereign nation.

—The Financial Times (London).

Canada: 'Pro-American Stance'

The winning of the largest parliamentary majority in Canadian history by the Progressive Conservative Party reflects a strong desire by Canadians for a change in leadership in these times of domestic economic difficulties and international confrontation. It was a personal triumph for Brian Mulroney, who is little

known outside of Canada. He is an atypical Canadian politician because of his unabashedly pro-American stance.

—The Japan Times (Tokyo).

I have said right from the beginning that if I were chosen leader, my first obligation would be to refurbish the relationship of trust that must exist with our greatest friend, neighbor and ally, the United States of America. Period. This doesn't imply any subservience.

Saiping and snarling at the United States is fashionable in some quarters in Canada. Fortunately, those quarters don't exist in the Conservative Party, and they don't exist with me.

—Prime Minister-elect Brian Mulroney, in an interview in Newsweek.

When the pendulum swings in Canada it really swings. Apart from a shattered Liberal Party, Mr. Trudeau's legacy is a much more relaxed relationship between the Anglophone and Francophone groups. This is undoubtedly a valuable inheritance, on which Mr. Mulroney, a bilingual Irish-Canadian from Quebec, is exceptionally well qualified to build.

His campaign cry of "time for a change" both struck the right note and gave him a virtually blank check. His only firm commitment is to the preservation and judicious expansion of the social welfare system; unfortunately that means more spending when Canada is already chronically living beyond its means. As the untied new leader picks up his daunting burden, another conundrum arises: whether the plummeting Liberals or the rising New Democrats will win the battle to be the real opposition. Canada may well need one sooner than present appearances suggest.

—The Guardian (London).

FROM OUR SEPT. 11 PAGES, 75 AND 50 YEARS AGO

1909: A Submarine Logs 600 Miles

PARIS — The submarine Calypso, commanded by Lieutenant Robillot, arrived [on Sept. 9] at Toulon, having completed her long distance sea test. She left Toulon [on Sept. 7], her itinerary being via the Straits of Bonifacio back to Menton, some five hundred miles. When, however, she made the Straits, Lieutenant Robillot altered his helm for Genoa, a detour which brought the trip to nearly six hundred miles. This was done without a stop and in the time of fifty-nine and a quarter hours. It is also remarkable as an exhibition of endurance on the part of the crew, for quarters on a submarine are not remarkable for comfort, even with modern improvements.

1934: Russia Can Now Join League

GENEVA — The only obstacle to Russia's admission to the League of Nations was cleared away [on Sept. 10] when the secret session of the Council of the League agreed that the Soviet Union should have a permanent Council seat after the Assembly, where approval is already assured, elects it to membership. Poland voted for Russia, while Argentina and Portugal preserved the unanimity by abstaining. Russia's entry will be counterbalanced, however, by the collapse of the "Eastern Locarno" pact of mutual assistance. The Polish vote enabled Poland to reject the "Eastern Locarno" and Warsaw also gained Russian guarantees for Polish minorities.

For a Policy of Aggressive Cooperation With Moscow

By Spark Matsunaga

The writer is a Democratic U.S. senator from Hawaii.

WASHINGTON — The case of Andrei Sakharov and Yelena Bonner dramatizes the central question of our nuclear age: How are two nations that hold the fate of the world in their hands to relate to one another when their ruling value systems stand at diametrically opposing poles?

During the past 15 years two sharply contrasting U.S. policies have emerged. The Nixon-Ford-Kissinger administration practiced what Richard Nixon aptly called "hardheaded détente." The tools of that policy were trade and other forms of cooperation combined with discreet pressure applied as part of a process of continuing negotiation.

Although it produced considerable flexibility for lateral movement, "hardheaded détente" could not last as a U.S. policy for the same reason it held so much appeal to the Kremlin: It lacked moral content. Its goal was world order in the classic European sense. It was suspicious of internal forces seeking change that threatened established ruling elites — in the Soviet Union, Chile, wherever.

Jimmy Carter remedied that defect with a vengeance. He put human rights at the center of his policy on the Soviet Union and repeatedly "punished" it for favored the Soviets for morally unacceptable behavior. The tools Mr. Carter employed to administer punishment were, to a considerable extent, the various components of the web of international relations developed by Nixon-Ford-Kissinger.

Under Ronald Reagan that moralistic emphasis reached an apex with the description of the Soviet Union as the "focus of evil."

As superpower relations deteriorate and

the arms race accelerates, the question now is: Which approach is preferable?

Each, in my view, has serious flaws. A policy in tune with American values and interests needs both moral concern and tactical flexibility, both calculation and compassion. One way to serve American values and interests would be to establish cooperative activity as an overriding national objective in the pursuit of calculated sophistication and moral determination. This policy would replace the prevailing vacillation between no

In an important sense, American policy has made itself hostage to the KGB.

contacts and an uncritical pursuit of contacts that the Soviets exploit by limiting participation to party hacks. It would set strict standards for cooperation and push them hard.

A policy of aggressive cooperation would recognize that the chief enemy is not so much world communist ideology, which takes many evolving forms (China, Hungary, Yugoslavia), as it is the repressive Soviet police state, which is compulsively hostile to any evolution at all, communist or otherwise.

Instead of responding to repugnant Soviet

behavior by cutting off contacts as "punishment" (which actually makes work easier for the police state apparatus), the United States would keep up the pressure, constantly pushing for new and expanded contacts of substance in the teeth of Soviet repression. America's principal target would be the emerging scientific and technical elite, the most sophisticated and cosmopolitan segment of Soviet society, who enjoy the highest status and upon whom the totalitarian power structure depends for running the system.

In pursuing that target, we could expect much more support than now from our European and Japanese allies, who already favor increased cooperation and greater flexibility in dealing with the Soviets.

Would such a policy legitimize Soviet policies of repression toward Andrei Sakharov, Yelena Bonner and others? On the contrary, it would be the strongest and most effective rejection of those policies.

The Soviet police apparatus thrives on isolation. Why assist its efforts? Under present conditions, whenever they want to tighten the screws at home they need only create an incident. We have handed them flexibility at our expense. In an important sense, American policy has made itself hostage to the KGB.

A policy of aggressive cooperation might best be launched with a proposal to do something big with the Soviets. It must be a long-term undertaking that locks them into an

expanding program of joint activity. Soviet policy-makers must find it sufficiently appealing to stay in even though the partnership places their reactionary system of internal controls increasingly at risk.

One promising possibility is an international manned mission to Mars in the 21st century. It could be put forward as an alternative to competing "Star Wars" space weapons systems, which would otherwise be developed in the same time frame. Unlike star wars, it would mandate ever greater openness across an expanding front, to the benefit of democratic values and interests.

Joint activity on a grand scale would respond to the deepest aspirations of Andrei Sakharov. In the late 1960s and early 1970s he sought to nudge the Soviet Union in precisely that direction. Then the police apparatus moved in and re-established the "us versus them" condition upon which it thrives.

"Any action increasing the division of mankind, any preaching of the incompatibility of world ideologies and nations is madness and a crime," Mr. Sakharov wrote. With such utterances his descent from official favor began, until, alone and isolated, he could retain his integrity only by lashing back at his captors.

But we should not confuse his entrapped response with the deep universal spirit that moved him to seek the intellectual freedom that man inevitably craves from expanded communication and joint activity on an international scale. We have it in our power to resurrect that noble spirit. All we need is the will and determination — and the leadership.

The Washington Post.

South Africa: Progress, Certainly, but Equality Keeps Receding

By Jack Foisie

JOHANNESBURG — In 1976, when I arrived here to take up an assignment as the Los Angeles Times correspondent in South Africa, blacks in the ghetto city of Soweto were rioting. The uprising spread to other communities and more than 450 persons were killed, most of them by police bullets.

Eight years later, as I leave, there are new riots and more police retaliation, and more dead. Now the violence is in black townships south of the city. The focal point has been Sharpeville, where the country's black protest movement began in 1960.

Why does unrest persist among South Africa's black majority — 72 percent of the population — despite what any fair-minded observer will argue has been the steady unbending of racially discriminatory policies by the white government?

There has been substantial change. Cynics snort that it is only cosmetic, a cover-up for the abusive and humiliating treatment of blacks. But most observers hold that it is more meaningful, that it allows significant economic progress for blacks.

Black wages are catching up with those for whites doing similar work, and technical training for blacks has been greatly expanded, although still in mostly segregated schools.

True, the white government has its own interest at heart; it realizes that the country's developed industries cannot expand unless blacks are able to do more than pick-and-shovel work. Still, it is a change for the better, and one of the more reassuring by-products has been the rapid formation of black unions. Some of them already bargain effectively for better wages and working conditions.

Transformation of black workers — from second-class status in white unions, if they were accepted at all, to a point where they have their own unions with latent political power — is the near-miracle I have witnessed in this country.

For Prime Minister Pieter W. Botha, this is the most remarkable achievement of his six years in office. He and the man who was his minister of manpower, Stephanus P. Botha

(no relation), had to steer the enacting legislation through a white Parliament steeped in a keep-down-the-blacks tradition, and then shepherd the law through the implementation stage. Conservative civil servants have traditionally tended to drag their feet when it came to carrying out laws aimed at racial change.

The recent unrest may stem in part from the taste of political expression allowed by the liberal new labor laws. And it may prove to be unfortunate for the prospects of getting any further such legislation.

Right-wing whites, dead set against relaxation of the apartheid format that keeps blacks segregated except in the work place, are now crowing, "I told you so." Any freedom for the blacks, they insist, only encourages them to demand more.

Estimates of the political strength of these white die-hards vary widely. The champions of white superiority range from pastors to the Dutch Reformed Church, who cite selected Bible passages to defend apartheid, to

jackboot toughs who threaten not only blacks but white liberals as well. The main resistance probably comes from rural Afrikaners who retain their Calvinist views and see blacks as no more than cheap labor.

Poll-takers have tried to assess white resistance to racial change, and undoubtedly Prime Minister Botha has, too, but there are no accurate figures. If it came to a general black uprising, something much more organized than we have yet seen, all the whites would probably be united, and this is perhaps what keeps the stopper in the bottle of black unrest.

On the encouraging side, there appears to be a growing realization among urban whites that political accommodation with blacks is inevitable and that it is better to start easing into it sooner rather than later.

Mr. Botha may have strong qualms about what he has to do. He is an Afrikaner, and right-wing whites regard him as a traitor. But he is also a pragmatic politician, and he seems ready, as do South African leaders

before him, to continue to break down the racial barriers.

He has started by gingerly trying out power-sharing with nonwhite groups that are smaller in number than the 4.5 million whites. He has added two houses to Parliament, one for the "coloreds" and one for the Indians. Both groups are still discriminated against under other facets of apartheid, but now they have a measure of political strength, although whites continue to dominate Parliament. Blacks still have no political rights at all at the national level.

Without trying to charm his audience, and often with a bit of testiness, Mr. Botha continues to spell out clearly in his public speeches that blacks will become voters only through the process of evolution. This grudging pace is probably another factor in the present unrest.

As the 26 million blacks become more educated — and often find themselves unemployed — discontent increases. In the crowded tribal homelands, to which the government consigns the majority of blacks, shortages of food, shelter and health care become increasingly desperate.

Still, revolt seems a distant thing. Only to the 1976 uprising was any nationwide organization apparent. Since then, any attempt to challenge the government has been thwarted by an efficient security police force (black men and white men alike) aided by hundreds of black informers motivated by pressures or promises.

Resistance continues to be disorganized. That applies even to the most effective of the underground groups, the African National Congress.

With the exception of Nelson Mandela, an old-time dissident who has been in prison for more than 20 years and is now only an inspirational symbol of resistance, the black protest leaders tend to disdain cooperation. Sometimes this is due to tribal differences. The other basic factor seems to be ambition.

The rural politician Gashu Buthezi, leader of the five million Zulus, is despised by urban black leaders and taunted by Oliver Tambo, head of the externally based African National Congress. They say he cooperates with the white government, even though he has expressed stinging criticism of the new power-sharing arrangement with the "coloreds" and Indians. He will not speak to Mr. Botha, nor Mr. Botha to him.

Chief Buthezi advocates a national convention of leaders of all races to discuss the start of real power-sharing. Mr. Botha has said no, indicating that he is not ready to face the certain backlash of his white followers if he moves too quickly.

To an American mind of the racial difficulties in his own country, and the time it took to bring about legal equality, it is still very frustrating to be a reporter in South Africa.

Within a year of my arrival I was being asked: When do you see either a stable and racially peaceful South Africa, or a bloody white-black confrontation? In five to 10 years, I said then. Asked for a question today, eight years later, I would again say: In five to 10 years. Such is the uncertain pace in this large, rich, fertile land.

The writer is retiring this month after more than 40 years as a reporter and foreign correspondent, the last 20 of them with the Los Angeles Times.

South Africa in a Word: Official, Brutal Racism

By Anthony Lewis

BOSTON — It is the practice of tyrannical governments to talk of democracy and peace, but every once in a while something pushes the mask aside and the world can see harsh reality. That has just happened again in South Africa.

In recent days riots have swept through the black townships among mine dumps and steel mills in the Vaal triangle south of Johannesburg. At the same time a school boycott has begun in January in black ghettos outside Pretoria gathered momentum; more than 100,000 children are now staying away from classes.

Each event had its immediate causes. Residents of the townships were angry at rent increases imposed by officials during the summer. Black schoolchildren were asking, among other things, for the right to have their own student councils. But underneath those particulars was a deeper response for unrest. Only the willfully blind could fail to see it.

Human beings everywhere want to have some control of their own lives. Black South Africans are systematically denied fulfillment of that elemental human need. They are told where they may live, confined by law to inferior schools and other facilities, excluded from any part in the country's politics. Millions have been uprooted and sent to distant "homelands" they had never seen.

In the circumstances it is hardly surprising that there should be black protests. Indeed, any moderately perceptive American who visits South Africa comes away incredulous at black restraint and patience.

Moreover, blacks have just been provoked by what they see as a piece of cynical playing by the government. That is the constitutional change that adds to the all-white Parliament two chambers elected by



"We've shown them nonviolence doesn't work. Now to convince them violence is no good."

at stake is not at all complicated. It is official racism, naked and brutal. A congressional aide who has just visited South Africa for the first time, Sheldon Himelfarb, legislative assistant to Senator Charles Mathias (Republican of Maryland), said it plain.

"I knew all about the moral dilemma of the white tribe," Mr. Himelfarb said. "I did my doctorate at Oxford, and many of my friends were South African. I had intellectualized

it. But seeing cut through the complexity. It is so simple.

"I could hardly eat in South Africa, I couldn't sleep. The immorality overwhelmed me. Maybe it's because I'm Jewish, many of my family were from Eastern Europe. . . . To see race as the test. . . . I met black people of great character and intelligence, and I realized they had less control of their own fate than a house pet."

The New York Times.

LETTERS TO THE EDITOR

Fit to Print or Not?

Your Aug. 17 editorial correctly pointed out that President Reagan's quip on outlawing and bombing Russia was not funny. But the joke should never have been publicized. The private remark harmed no one; making a full-blown public issue of it was irresponsible. There was a time when "news" isn't fit to print.

HILLIARD STATION, Amsterdam.

Mr. Reagan is certainly not my favorite world leader, but those of us who regularly deal with Americans are always a little jealous of their ability to inject jokes into almost any kind of subject. I would feel a little better about our world if we were told about a joke, good or bad, told on or off the record by a Soviet leader.

ANTON ECKERT, Dellbrück, West Germany.

The joke was a self-parody on Mr.

Reagan — before a publisher got hold of it. Now the joke is on us.

WAYNE R. WAGGONER, Brussels.

Regarding the opinion column "A Warning: Reagan Is Over the Hill" (Aug. 20) by John B. Oakes:

As an American citizen I have often disagreed with a president of the United States; this is the first time I have ever been ashamed or afraid of one. If Mr. Reagan does not have the sense to address a plugged-in microphone with a plugged-in brain, it is indeed time for him to go off and retire in solitude. I agree with Mr. Oakes that Mr. Reagan should resign from his candidacy.

KARIN BROWN, Vienna.

Regarding "Does the Press Do Well in Air-Off-the-Air-Jokes?" (Aug. 24) by William F. Buckley Jr.:

Mr. Buckley charges that "we" tend to forget "old Khrushchev" threatening nuclear war in Europe

every couple of weeks. Mr. Buckley should stick to the first person singular. For it is precisely because we do remember the results of Mr. Khrushchev's bellicose political huffs that we can neither forgive nor forget Mr. Reagan's bellicose prattle.

DWAYNE VIERGUTZ, Heidelberg, West Germany.

Mr. Buckley feels that Mr. Reagan should be protected from exposure of such fugitive thoughts. An electorate trying to evaluate the recently nominated Republican candidate needs to know as fully as possible his attitudes toward U.S.-Soviet relations.

MICHAEL G. CATANO, Luxembourg.

Jamaica to Sierra Leone

In response to "Sierra Leone's Settlers" (Letters, July 11) and the report "Sierra Leone: A Case of Apathy More than Anger" (June 30):

Some 1,100 Creoles arrived in Freetown from Nova Scotia. These were not ex-slaves from the United

States but former "Maroons" from Jamaica. "Maroons" were British ex-slaves who had gone in the hills and participated in the Maroon wars in Jamaica for many years. Originally they were principally Ashantis of the Gold Coast of Africa speaking the Twi language. While in the hills they intermarried with Arawak Indians.

The Maroons had a 1738 treaty with England, copies of which are still to be found in Jamaica. Violation of the treaty accounted for a contingent of Maroons being sent to Nova Scotia. Those not involved in treaty violations stayed in Jamaica, where several settlements still exist and the

treaty of 1738 is still honored by the Jamaican government. The Maroons of Jamaica were some of the first people in the Western Hemisphere to gain their independence.

MARION D. MILLER, Vila Franca de Xira, Portugal.

Pro-Life, but Selectively

Could somebody please explain to me why "right to life" anti-abortion groups are not clamoring for abolition of the death penalty? Or, alternatively, for the execution of doctors who perform abortions?

STEPHEN AYRTON, Lausanne.

Nor Is It 'Yasser Ararat'

We do realize that Yasser Arafat and his followers attract a lot of interest in the press, but to rename an ancient mountain in his honor — "Mount Arafat" (People, Aug. 30) — is, we think, to be overgenerous.

G. BLOOM, H. STELLMAN, London.

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Director de la publication: Walter N. Thayer
S.A. Headquarters, 24-34 Henrievy Rd., Hong Kong, Tel. 6170.
Macao, P.R. China, 63 Long Ave., London W.C.1, Tel. 836-4002. Telex 363099.
Asia, the capital of 1,300,000 F.R.G. Southern B. 732021130. Commission Paritaire No. 34231.
U.S. subscription: \$280 yearly. Second class postage paid at Long Island City, N.Y. 11101.
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ARTS / LEISURE

Summer's Over, and the Fashion Wagon Is Back on the Rails



Kenzo in New York with a sample of his new "Album" line.

By Hebe Dorsey
International Herald Tribune

PARIS — August is traditionally in the fashion doldrums, but September is fast catching up. It started early this month with the SEHM (Salon Européen de l'Ha-billement Masculin) at the Porte de Versailles.

The most interesting thing about the menswear market is the increasing numbers of men designers who made their names in women's ready-to-wear. Claude Montana, for one, showed his first men's collection, joining ranks with Kenzo, Jean-Paul Gaultier and Thierry Mugler.

Montana himself is the ultimate in non-dressing — gray T-shirt topped by pink shirt, topped by blue blouson, topped by orange-lined navy blouson and jeans. His only sartorial extravagance consists of snake-skin Mexican boots, elegant and elaborate almost to the degree of showiness — "and they cost me a fortune."

According to Montana, the men's market is where it's all at these days, and offers a lot of room to expand into, while the women's market is pretty saturated.

"My menswear collection has nothing to do with my women's line," Montana said. "I don't go as far. I've tried to design clothes I would like to wear myself — if I dressed up. But although I don't, I have lots of friends who do and I have a fair idea of what they want."

don't want their wives to do their fashion shopping for them any more." All this means that the fashion world may turn to peacocks and the market will move accordingly.

Kenzo, who was showing his third men's collection, moved on his usual, colorful and whimsical path with a classicism that may coincide with commercialism. As for Gaultier, the fun-man of Paris fashions, he had the most avant-garde collection in terms of presentation, which, as always with Gaultier, camouflaged some highly wearable clothes.

The month goes on with all kinds of fashion events. Last Saturday, Issey Miyake opened a new boutique at 17 Boulevard Raspail, not far from his prestige, de luxe boutique on Boulevard Saint-Germain. The new boutique will, for the first time, carry his cheaper, so-called Plantation line, which is simpler in design but still unmistakably Miyake's. Michel Klein, a promising Paris talent, also just opened a boutique at 39 Rue de Grenelle.

Karl Lagerfeld this week is opening his first boutique under his own name, in London, at 173 New Bond Street, with a Paris one scheduled for early next year.

On Monday, Nina Ricci hired a boat on the Seine to launch "Phila," its new perfume, and on Wednesday, Hermès is having a showing of its fall-winter collection with cocktails afterwards. Hermès's upper floors have been redesigned into attractive, garden-like terraces, a sign that the store, which

started as a saddlery, is branching out into all kinds of new areas, including house and garden. The latter has been turned over to Nicole de Ysian, an elegant woman who used to have her own styling agency. Among her chic ideas are all kinds of essentials for yachts as well as elegant gardening outfits, including gloves and brown canvas and leather garden aprons.

On Sept. 19, Hélène Rochas, who has recently been lured back into the company as its glamorous image-maker, is teting the coming out of a new perfume, "Lumière," with the premiere of Wim Wenders's film "Paris Texas," followed by dinner for 130 at the Jules Verne restaurant on the Tour Eiffel.

On Sept. 25, Dior is showing its new fur collection, designed by Frédéric Castet. Meanwhile, Pierre Cardin, who will show his first China-produced collection soon, is also working on his newly revamped restaurant at the Espace Cardin, which he hopes will become a favorite with the fashion and advertising crowds. With tables in the garden, which has been dolled up with white tents and unfilled arbors, a simple, mildly priced menu and service until 2 A.M., Cardin feels this will be an alternative to the extravagance of Maxim's, which he already owns.

Meanwhile, every other designer seems to be going to New York. The most notable August events were the launching of Kenzo's cheaper line, "Album de Kenzo," for \$50 Limited Stores, and the

opening of a new Issey Miyake boutique at Bergdorf Goodman.

Under its new president, Dawn Mello, Bergdorf seems eager to capture all the fashion talent around. On Tuesday, she is celebrating the launching of a new Claude Montana boutique on the so-called "couture floor," next to Yves Saint Laurent and Chanel — an honor that Montana, who flew over for the occasion, was anticipating with some anxiety.

There's something a bit scary when people seem to accept you all of a sudden," said this new prince of the fashion establishment, who is now at the head of a \$40-million empire (not counting figures for Japan).

Montana was still looking forward to meeting the American fashion press at a luncheon which was held in the newly opened Petrossian caviar restaurant. The latter, on Seventh Avenue and 57th Street, has been lavishly decorated with Art Deco and engraved mirrors à la Erté and banquettes that are half blue leather and half pink.

Jean-Paul Gaultier will also have a first showing of his collection in the United States, again courtesy of Bergdorf.



Claude Montana at home.

Elle magazine has just put on the stands an "Elle International" on a four-times a year basis. The first issue featured "Proustomania" and lively, kooky fashion styles. Jean-Louis Scherrer showed his collection on Friday in Barcelona for the Spanish anti-cancer society in front of 1,200 people. Finally, Yves Saint Laurent is showing his collection at the Villa Medici in Rome, on Sept. 26, a prestige operation patronized by Jack Lang, France's minister of culture.

Keeps Receding

before him, to continue to down the road. He has started to get out power-buffs, a group that are more than the 45 and 50 age group. He has added two new lines, one for the 40 and 50 age group, and another for the 60 and 70 age group. He has also added a new line for the 80 and 90 age group. He has also added a new line for the 100 and 110 age group. He has also added a new line for the 120 and 130 age group. He has also added a new line for the 140 and 150 age group. He has also added a new line for the 160 and 170 age group. He has also added a new line for the 180 and 190 age group. He has also added a new line for the 200 and 210 age group. He has also added a new line for the 220 and 230 age group. He has also added a new line for the 240 and 250 age group. He has also added a new line for the 260 and 270 age group. He has also added a new line for the 280 and 290 age group. He has also added a new line for the 300 and 310 age group. 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NYSE Most Actives					
Vol.	High	Low	Last	Change	
PG&E	2804	14 1/4	14 1/4	+ 1/4	
PG&E	1715	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	
PG&E	1271	15 1/2	15 1/2	+ 1/4	

Dow Jones Averages					
Index	Open	High	Low	Last	Change
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4

NYSE Index					
Index	Open	High	Low	Last	Change
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4

NYSE Diaries					
Index	Open	High	Low	Last	Change
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4

Odd-Lot Trading in N.Y.					
Index	Open	High	Low	Last	Change
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4

Monday's NYSE Closing					
Index	Open	High	Low	Last	Change
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4
NYSE	1171	1174	1171	1171	- 1/4

AMEX Diaries					
Index	Open	High	Low	Last	Change
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4

NASDAQ Index					
Index	Open	High	Low	Last	Change
NASDAQ	1171	1174	1171	1171	- 1/4
NASDAQ	1171	1174	1171	1171	- 1/4
NASDAQ	1171	1174	1171	1171	- 1/4
NASDAQ	1171	1174	1171	1171	- 1/4
NASDAQ	1171	1174	1171	1171	- 1/4

AMEX Most Actives					
Vol.	High	Low	Last	Change	
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4

Standard & Poor's Index					
Index	Open	High	Low	Last	Change
S&P	1171	1174	1171	1171	- 1/4
S&P	1171	1174	1171	1171	- 1/4
S&P	1171	1174	1171	1171	- 1/4
S&P	1171	1174	1171	1171	- 1/4
S&P	1171	1174	1171	1171	- 1/4

Dow Jones Bond Averages					
Index	Open	High	Low	Last	Change
DJB	1171	1174	1171	1171	- 1/4
DJB	1171	1174	1171	1171	- 1/4
DJB	1171	1174	1171	1171	- 1/4
DJB	1171	1174	1171	1171	- 1/4
DJB	1171	1174	1171	1171	- 1/4

AMEX Stock Index					
Index	Open	High	Low	Last	Change
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4
AMEX	1171	1174	1171	1171	- 1/4

At 3 P.M.: NYSE Trading Slow

NEW YORK — Prices on the New York Stock Exchange were slumping late Monday afternoon in lackluster trading amid investor uncertainties about the course of interest rates and the U.S. economy.

The Dow Jones industrial average, which skidded 11.48 Friday, was down 7.40 to 1,199.97 an hour before the close. The average lost 17 points last week.

Declining stocks led advancing ones by a ratio of 9 to 5. Volume was about 56.4 million shares, down from the 71.1 million in the corresponding period Friday.

Prices were lower in moderate trading of American Stock Exchange issues.

While prices in tables on these pages are from the 4 P.M. close in New York, for reasons of time this news account is based on information gathered earlier in the day.

Analysts said the stock market was restrained from the outset by a large selling program that was initiated early Friday and joined investors who had been in an optimistic mood.

Some traders were encouraged that federal funds rates that banks charge one another overnight dropped to 11 1/2 percent from 11 9/16 percent Friday. These rates have been edging downward the past week.

That was one reason the bond market, which had skidded at the outset, began to improve Monday afternoon. The bond rally "could cut the stock market's losses," said Harry Laubacher of Paine Webber. "The volume is

light and that is a strong sign this is just a consolidation period."

Marvin Katz of Sanford C. Bernstein & Co. said the "bond market could lead the way for a move in equities. I think the market has been faltering because of a lack of cash on the part of institutions. But I think things could improve by the latter part of this week."

But Wall Street was watching closely the labor negotiations with U.S. automakers this week. Friday midnight is the deadline the United Auto Workers union has set to go on strike against General Motors if a new pact is not reached.

Several analysts said they believe a strike would slow the U.S. economy from its heated pace of the past several months, ease borrowing pressures and eventually result in lower interest rates if it is protracted.

Pacific Gas & Electric was one of the most active NYSE-listed issues following a series of large block trades. Northeast Utilities also made the list with a large block.

Reylon (ex-dividend), which spurred 2 points last week on a flurry of takeover rumors, was active.

IBM was in the spotlight in heavy trading. IBM introduced improved graphics and other features for its personal computer line. AT&T was also active.

Among the other high-technology issues, Teledyne was sharply higher at the outset. Adco Micro Devices, Honeywell, Burroughs and Control Data (ex-dividend) were lower at midday.

ACQUISITION OPPORTUNITY



A RARE FIND. WORTHY OF INVESTMENT. IN DEMAND.

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COMMODITIES

A SPECIAL FINANCIAL REPORT

TUESDAY, SEPTEMBER 11, 1984

Page 9

Financial Futures
Take First Step
In World Trading

By Nancy L. Ross

WASHINGTON—The inauguration last week of futures trading in Eurodollars and Deutsche marks on the Chicago Mercantile Exchange and the Singapore International Monetary Exchange marks a milestone in the internationalization of financial futures, another step in the development of worldwide, round-the-clock markets.

The financial community and U.S. regulators plan to monitor CME/Simex operations closely to see if sufficient liquidity develops and if manipulation and other abuses occur. "Just wait until the first bankruptcy," warned a futures industry executive, referring to possible dangers in an arrangement where neither country has jurisdiction over trading in the other. Another potential impediment is disclosure. The Commodity Futures Trading Commission, for example, requires the identity of large traders but British law forbids it.

International difficulties notwithstanding, the Chicago Merc, which forged the bond with Singapore, is also negotiating with the London International Financial Futures Exchange. Another such linkage is contemplated between the Commodity Exchange of New York and the Sydney Futures Exchange. The Chicago Board Options Exchange is exploring a trading relationship with the European Options Exchange in Amsterdam as well as exchanges in London and Zurich. The Chicago Board of Trade is negotiating with the London Stock Exchange for permission to trade the Financial Times Stock Exchange 100 index.

There are more than 90 international commodity markets worldwide, with more being established every day in places such as Bermuda and Rio de Janeiro, according to Futures World, an international trade publication. Most of the new ones concentrate exclusively on financial futures, which do not require physical delivery. The bulk of the world's trading occurs on the dozen futures and five options exchanges in the United States, although 30 to 40 percent of all activity in the futures markets comes from abroad, the magazine said.

(Continued on Page 11)



Trading gasoline at the New York Mercantile Exchange.

COMPARISON OF PERFORMANCE OF 20 TOP-PERFORMING MUTUAL FUNDS
WITH 20 TOP-PERFORMING FUTURES FUNDS, JUNE 1983 - JUNE 1984

NAME OF EQUITIES FUND	% GAIN 12 MONTH	NAME OF FUTURES FUND	% GAIN 12 MONTH
Mutual Qualified Income	16.9	Harvest Futures Fund I	87.3
Selected American Shares	15.0	Harvest Futures Fund II	87.3
G.T. Pacific	10.4	Peasey Futures Fund I	65.3
Merrill Lynch Pacific	7.2	Peasey Futures Fund II	61.4
Fidelity Select-Utilities	6.9	Aries Commodity Fund	41.2
Strong Investment	6.5	Clark Street Futures Fund	27.2
T. Rowe Price International	5.3	Chancellor Futures Fund	26.4
Scudder International	5.3	Commonwealth Fut'l Fut Fund	25.7
Vanguard Small Div Port I	5.2	Thomson Commodity Partners	24.3
Evergreen Total Return	4.7	Mint, Ltd.	20.1
Legg Mason Value Trust	4.6	Recovery Fund L	18.5
Founders Income	3.9	Hutton Commodity Pts II	17.4
Strong Total Return	3.6	Illinois Commodity Fund	14.9
UBA Capital Opportunity	2.8	Thomson Fut'l Fut Fund	14.1
Vanguard Windsor	2.8	Gemini Commodity Fund	13.6
Safeco Income	2.8	Sycamore Futures Fund	12.5
Fidelity Puritan	2.6	Princeton Futures Fund I	12.1
Vanguard Wellesley Income	2.2	Princeton Futures Fund II	10.9
Nichols Income	2.2	Tactical Commodity Fund I	9.9

Decline in Commodity Prices Linked to High Interest Rates

By Randall E. Moore

WASHINGTON—The precipitous decline in commodity prices has been the economic enigma of the year, according to many economists.

Although economic growth in Western industrialized countries probably peaked this summer, prices of raw materials tumbled, contrary to their usual behavior. Normally, falling prices benefit consumers as the declines are translated into lower inflation. But if commodity prices decline—what economists call deflation—can also signal a sharp economic contraction.

Opinion in the economic community is sharply divided on the causes, consequences and longevity of this summer's price weakness. The actual declines are not in dispute.

Since peaking in mid-May, the

Commodity Research Bureau Inc.'s broad index of spot commodity prices has fallen 23 percent. The Dow Jones Index of Commodity Futures has fallen from 153.11 to 129.45 since last August. And, sensitive materials prices in the U.S. Commerce Department's Index of Leading Economic Indicators dropped for the 16th consecutive month in August.

Declines in individual commodities have been even more dramatic. Among industrial materials, lumber has been particularly hard hit, tumbling by half its value since the beginning of summer. Prices of industrial metals, such as copper, aluminum and tin also have plummeted. According to some estimates, copper prices, adjusted for inflation, are at their lowest levels in more than a century.

Prices of world agricultural commodities—wheat, corn, oats, cocoa, coffee, sugar, cotton and, to a

lesser extent, meats have also taken a beating.

Perhaps the most widely noted price declines were those of precious metals. In fact, gold seems to have led the overall nosedive in commodity prices. On July 9, the metal hit a two-year low of \$332 an ounce, completing a tumble of more than \$40 in just three days. In tandem, or soon thereafter, other commodity prices joined in the sell-off.

Economists were caught off guard by the declines, according to Charles Lee, an economist with Northern Trust Co. "Prices had been soft, but the declines in July surprised more people than they would likely admit," Mr. Lee said. At this stage in past business cycles, inflationary pressures are normally building as months of expansion force rationing of commodities by increased prices. The events of this summer, however,

have sent economists scrambling to lower their inflation forecasts for this year, next year and, in some cases, the rest of the decade.

In hindsight, most attribute the drop in commodity prices to four primary factors.

First and foremost are high interest rates. Since the inflationary excesses of the 1970s, central banks have in large part pursued stringent monetary policies. Led by the U.S. Federal Reserve, world monetary authorities reduced money supply growth and available credit in an effort to break the back of inflationary expectations. So stringent, in fact, were these policies, that the U.S. economy was plunged into its sharpest recession since the 1930s during 1981-1982. Nonetheless, financial markets, burned too often in the past by higher inflation after each economic downturn, refused to allow interest rates to fall even as inflation through much of

the industrialized world began to fall.

As a result of market fears, real interest rates, or the difference between nominal rates and the rate of inflation, soared to historically high levels.

"The markets are charging an inflationary premium," said Donald Ratajczak, director of the state of Georgia's economic forecasting unit. "If the markets believed that inflation would not surge again, current interest levels would fall."

High real rates of interest make it unprofitable to hold commodities unless prices are rising. This applies to both speculators and businessmen. Many analysts contend that the subdued rate of inventory accumulation during this economic expansion is directly related to the high real rates of interest.

High interest rates, especially

those in the United States, have resulted in an extremely strong dollar—another primary reason for the plunge in commodity prices.

Although the dollar gradually rose against the currencies of its major trading partners since 1981, the combination of slowing inflation and rising interest rates in the United States this spring sent the dollar to record levels against the British pound, French franc and Italian lira and to a decade-old high against the Deutsche mark. Most world commodities are priced in dollars. Consequently, nations like France found themselves paying more for oil at a time when the price in dollars was falling.

In the United States, a strong

(Continued on Page 10)

Randall E. Moore is senior money market economist at Evans Economic Inc. in Washington.

Ebb and Flow of the World Oil Market

By H.J. Maidenreid

NEW YORK—The price of oil was once determined by the "Seven Sisters," the big global producers, refiners and marketers that controlled most of the non-Communist world's output, refining and marketing of crude oil and products.

No more. First off, they no longer control their foreign oil sources, and most recently the once powerful cartel of the Organization of Petroleum Exporting Countries has fallen into disarray, with hard-pressed members luring customers with cut-rate oil.

Given the fact that today no one knows how much oil is flowing onto the world market from OPEC and the Soviet Union, a major exporter, many oil experts believe prices are free, in that they truly reflect supply and demand, for the first time in the industry's century-old history.

But supply-demand aside, three key factors determine the day-to-day oil prices. One is the ebb and flow of crude through Rotterdam's huge oil storage terminals. When summer began, it was the overflow-

ing oil tanks in Rotterdam, the biggest cash, or noncontract, petroleum market that brought prices crashing in July by \$2 a barrel, to \$26.

Indeed, these overflowing tanks in Rotterdam forced the Soviet Union to cut its crude prices and did more than any other thing to reduce "cheating" on agreed export prices by some OPEC members.

The second most important oil-pricing factor today is the economics of the "crack," or mix of products, that a 42-gallon barrel of crude oil yields when it is literally boiled at the refinery.

Typically, a barrel of crude is cracked as follows: gasoline, 44 percent; home heating, diesel and other distillate oils, 21 percent; heavy residual industrial fuels, 10 percent; and the rest yields such products as jet fuels, kerosene, petrochemical feedstocks, liquid gases, lubricants, among other items. The goo that is left at the bottom of the cracking pot is the asphalt used for road paving and roofing materials.

For the crack to be profitable, the main products, heating oils and gasoline, should follow seasonal

patterns because refiners and distributors of oil products have fixed storage capacity. This has not been the case in recent years because of an uncommonly mild winter of 1982-1983 and the record cold one of 1983-84.

Further, Americans have been using less gasoline because they do not drive as much as they used to and their newer autos are more fuel efficient.

Meanwhile, the overflowing tanks at European refineries and the strong dollar have produced increased exports of their crack products to the United States, and Beijing's expanding oil refining industry, which does not have much of a domestic market for gasoline produced by its cracking operations, sold a lot of its excess gasoline to California's drivers last summer.

The resultant disarray in the oil marketing system has given rise to a new and powerful pricing mechanism: the futures markets in crude and home heating oils and gasoline on the New York Mercantile Exchange and the International Petroleum Exchange in London.

On an average day, the New York Merc alone trades energy futures that represent some 8.5 million barrels of crude, which by coincidence is what the nation's oil producers pump each 24 hours.

The daily volume of heating oil futures equals the 4 million barrels of crude imported each day on average.

"Because the continuous auction process of the futures market reveals the real or perceived values of crude oil and its major products at any given moment, the New York Merc is rapidly becoming the pricing mechanism," said Steven Errera, president of Energy Futures Inc. and an authority on such markets.

When the Merc opened its first energy futures market, heating oil, in late 1978, the oil industry shunned it as a speculative side-show. But as the confusion over price trends began to spread with OPEC's weakening hold on prices two years ago, the industry began turning to the Merc for price guidance, particularly in heating oil.

"Because of the seasonal factors,

(Continued on Page 12)

A Gambling Arena, but Don't Count on Luck

By Roger Collis

ANTIBES, France—If you are tempted to speculate in commodity futures, think again. You are likely to have as much luck—and much more fun—trying to break the bank at Monte Carlo. Unless you really know what you are doing, you can lose your shirt playing chemin de fer, but in commodities trading you can risk losing the shirt you do not even have.

According to Paul Straatsma, manager of New York stockbrokers Thomson & McKinnon's Monaco office, 95 percent of the people who speculate in commodities lose money. Even successful traders may make most of their profits on 5 percent of their trades.

There are two broad classes of people dealing in commodities: speculators and hedgers. Hedgers are producers and consumers of commodities, banks and institutions, who want to protect a given price or position in a commodity. Hedging represents 50 to 60 percent of the total market. It is the speculators who take the major risk and provide the liquidity for the hedgers to operate.

Most traders never receive or deliver the commodities, instead speculating on the rising and falling values of contracts for future delivery. For every trade there is a buyer and a seller. A buyer is somebody who thinks the market will go up; a seller is somebody who thinks the market will go down. For every

trade somebody gains and somebody loses. It is a zero sum game.

Speculators normally trade on margin. What this means is that they pay a deposit to their broker of 5 to 10 percent of the initial value of the contract. When the market moves it multiplies their profit or loss 10 or 20 times.

Imagine that you are trading a contract of gold at \$44,000 with a margin of only \$2,500. If the price of gold moves \$25 you have either doubled your money or lost it. In the latter case you will get a margin call from your broker to cover your lost deposit. Normally you can limit your loss to the amount of your margin by putting in a stop. A stop is an order to your broker to get you out when the market hits your price or bounces through your price.

Punters will tell you to take your losses out quickly and let your profits ride. Advice that is sometimes hard to follow.

André Olbrich, a vice president and commodities specialist at Thomson & McKinnon, says: "If gold drops \$100 overnight in Hong Kong as a result of some political news, and you are in New York with your contract of gold, the market in New York the next day is going to open \$100 down. If your stop is in the middle there is nothing you can do. You are stuck. A good broker can usually get you

out. But you could be locked in a position and wiped out."

"It's the most anti-human character kind of game you can imagine," says Paul-André Jacot, manager of Conti Commodity Services in Geneva. "First, because in commodity trading the big money is made on the downside, selling short, which means selling something you don't have in the hope that you can buy it back at a cheaper price. Second, the only way you will probably make money is to accept the fact that you are wrong. Most people say, I am right, the market is wrong."

Speculators can be categorized according to six basic types of trading style. They are: • The gambler—a seat-of-the-pants operator with more money than sense. He has no strategy. He picks up bits and pieces of information and buys and sells without knowing what he is doing. For example, he has a friend who has just bought 50 contracts of gold. He wants to be one up on his friend so he buys 100 contracts. If gold happens to go up he does not know at what point to get out. The gambler will lose money consistently. After a while he will either be broke and quit trading or he will get smart and develop a system.

• The wisecracker—a gambler with a system. He has started out to try to win back the money he has lost. But he is going to make the same mistakes as the gambler because he is so

(Continued on Page 11)

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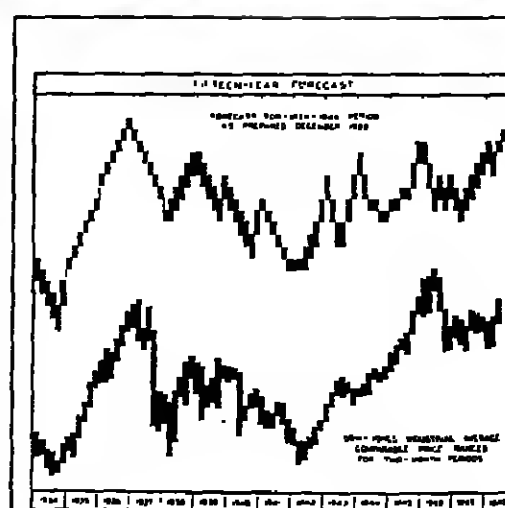
There have probably been a thousand books written about forecasting what markets will do in the future. They all pale into insignificance when compared to the discovery of the cause of market movement. Supply and demand determine the extent of market movement... that is, how far up or down the swings will go. However, the timing of these swings... the turning points... both long term and intermediate term are caused by something that, once it is understood, makes all future market swings predictable with a very high degree of accuracy.

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Welles Wilder is known world-wide for his innovative and original contributions to technical trading. His revolutionary book, *New Concepts in Technical Trading Systems* is legendary in technical trading circles. *FORBES* MAGAZINE (Oct. '80) singled Mr. Wilder out as "The premier technical trader publishing his work today."

Wilder's "Relative Strength Index" (RSI) is plotted by most chart services for each commodity. His "Directional Movement" system and "Parabolic Time Prices" system have become bywords to technical traders world-wide. Most computer trading systems in use today utilize some of Wilder's originally published concepts. Mr. Wilder has presented his methods and systems at technical trading seminars in Asia, Australia, Canada, the U.S. and the capitals of Europe.



The top line of price fluctuations is an actual reproduction of a copyrighted fifteen year market forecast as calculated and drawn in 1933 by George Marechal.

The bottom line of price fluctuations is the actual Dow Jones Industrial average from 1934 to 1948—the same fifteen years as projected by Marechal.

- [1] 51% of the time the projected turning point will occur within 2 days of the date projected.
- [2] 68% of the time the projected turning point will occur within 3 days of the date projected.
- [3] 81% of the time the projected turning point will occur within 4 days of the date projected.

The long term accuracy is comparable. I believe that the only other person who ever discovered this phenomenon was George Marechal. It would explain how he could have determined the market turning points used in his famous chart shown above.

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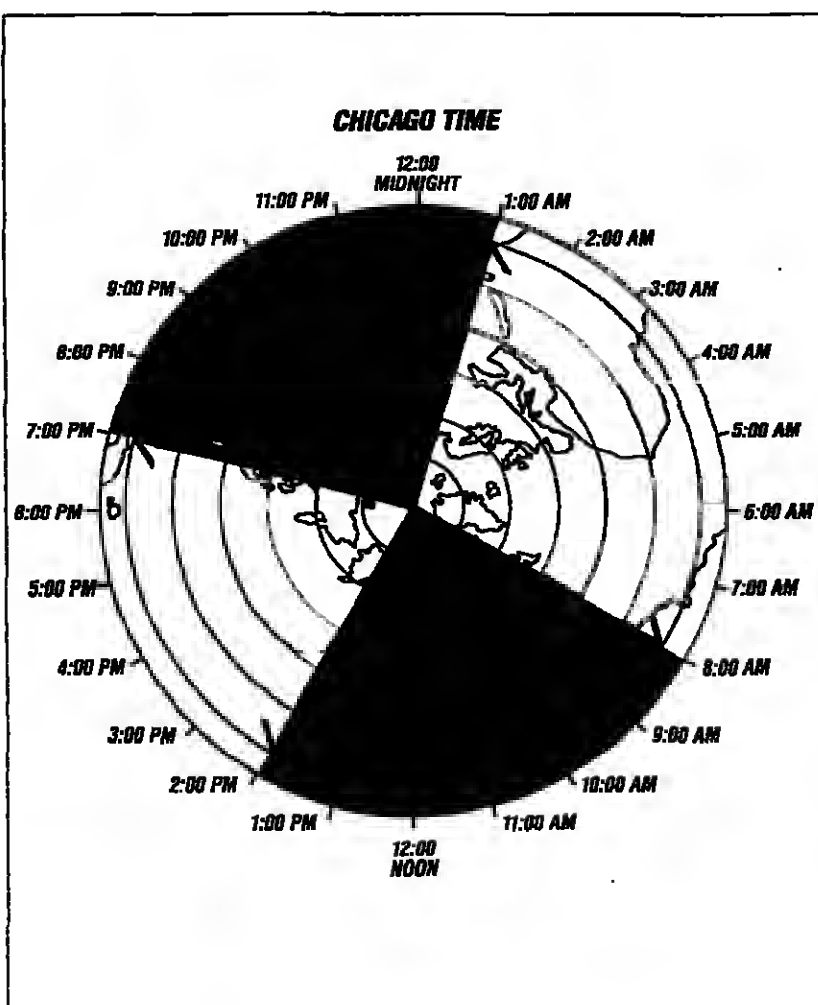
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A SPECIAL REPORT ON COMMODITIES

World Prices and Rising Interest Rates

(Continued From Page 9)
dollar has forced the U.S. exporters to reduce prices in an effort to remain competitive abroad. Downward pressure on U.S. domestic prices has resulted from a flood of imports made cheap by the dollar's strength.

The slower pace of economic growth in Europe vis-à-vis that in the United States, also contributed to reduce demand and subsequent price weakness. Whereas real U.S. economic growth during the first half of 1984 ran at a robust annual rate of 8.8 percent, the average rate of expansion in West Germany, Britain, Italy and France was only half of that.

The final culprit cited by most analysts as contributing to the plunge in prices is an abundance of supplies. While specific situations vary from commodity to commodity, many producers find themselves facing reduced demand and falling prices that they attempted to compensate for by increasing production, thereby exacerbating their dilemma, according to Evelyn Tanser, an economist with First National Bank of Chicago.

In the case of the Organization of Petroleum Exporting Countries, Iran and Iraq engaged in price discounting to compensate buyers for

the increased risks and insurance costs of loading in a war zone. Nigeria asked for and received an increase in its production quota in an effort to boost revenues needed to make interest payments on its burgeoning debt to Western bankers. The Soviet Union, the world's largest oil exporting nation, cut prices in August to offset slack demand. And, Saudi Arabia, the linchpin of OPEC, inexplicably boosted production in July, for a time threatening the very survival of OPEC.

Although major oil exporting nations and the multinational oil firms have recently succeeded in shoring up prices for crude, the oil market remains vulnerable to a rapid slowing in economic growth in the industrial world that some analysts say is now occurring.

In contrast to oil, agricultural prices have not exclusively been the victim of huge supplies. America's midlands are overflowing with wheat and feedgrains this year. Beneficial weather and government subsidy programs almost certainly insure that U.S. farmers will produce record or near-record corn and soybean crops. Cash-strengthened Brazil and Argentina also produced record soybean harvests. Although stepped-up Soviet demand due to poor weather has lent some

support to prices, gone are the days of the early 1970s when Soviet buying spree sent wheat prices soaring. The same holds true for other agricultural commodities. Government subsidized agricultural programs in less-developed countries have been initiated during the last few years in an effort to reduce food imports and foreign-exchange requirements.

Industrial metal prices have suffered for both supply and demand reasons. To begin with, prices for many never fully recovered from the reduction in demand associated with the worldwide depression of 1981-82. Research and development of stronger plastic, dropping the price of an input from 70 cents in January to slightly more than 49 cents near the end of August. Innovation in the recycling of aluminum cans has also reduced the demand and price of bauxite, the ore from which aluminum is processed.

The post-industrialization of America and other Western nations also has reduced demand as metal-processing industries shrink and service-based sectors grow.

The root cause of declines in gold and silver have special significance. For hundreds, if not thousands of years, precious metals were the financial refuge of investors faced with economic and political uncertainty. In an era of low inflation and high interest rates, however, gold and silver have lost much of their luster. Where once a war in the Middle East sent gold prices soaring, today the haven of choice is the dollar or dollar-dominated government securities.

Perhaps the most intriguing question surrounding the precipitous weakening of raw materials prices is what it portends for the future. Though hailed by some as catharsis, ensuring a decade of the low rates of inflation experienced during the late 1950s and early 1960s, others are less sanguine.

The consensus view seems to hold that the world is experiencing disinflation, where some prices fall, but others rise or remain stable. Though disinflation represents a lowering of inflation and inflationary expectations that is likely to reduce the rate of inflation the rest of this year and early next year, beyond that most prices would probably resume normal increases. Though some now forecast that the inflationary spiral has been broken for the rest of the decade, this represents a minority view. More ominous, but also a minority, are forecasts that the collapse of commodity prices presages outright deflation, severe economic contraction and possibly a depression.

Investment in Managed Accounts Grows

By Morton S. Baratz

WASHINGTON — No one has accurate data about the total amount of money invested in managed futures accounts in the United States and the European Community. But Managed Account Reports, a U.S. publication, estimates that \$1.5 billion is currently being managed by futures trading advisers in the United States and another \$200 million by trading advisers in the United Kingdom and Western Europe. Included in the former total is an unknown but steadily growing sum owned by Europeans and entrusted to American futures money managers.

The numbers just mentioned, although large by some standards, are paltry in comparison with the vast sums invested in managed equity accounts, mutual funds and pension trusts. In the United States alone the aggregate for that kind of investment runs into many hundreds of billions of dollars. What makes the figures for managed futures accounts seem so striking is their current size compared with their size only five years ago. In the United States in 1979 the combined investment in managed futures accounts was barely one-sixth of what it is now. The same probably holds true for Britain and the rest of Western Europe. To put it succinctly, managed futures accounts have grown at a rapid rate.

There are several reasons for this growth, of which three seem especially important. First, more and more speculators who "do it themselves" have come to realize that the likelihood they will make money is no better than one in four, and many seasoned observers think the odds are less favorable than that. The prospects for profit for the owner of a managed account that is

traded by a seasoned, proficient money manager are substantially better.

Just how much is far from clear, but small-scale studies done by this writer indicate that the probability of profit may be much higher if market conditions are consistently hospitable to money managers' trading systems.

A second consideration, related in but separable from the first, is widening recognition among investors as a breed that if some portion—say, 5 percent to 15 percent—of an investment portfolio is allocated to a managed futures account, the performance of the total portfolio can be enhanced considerably. In the more measured words of the late Professor John E. Hinner of the Harvard Business School: "The combined portfolios of stocks (or stocks and bonds) after including judicious investments in appropriately selected sub-portfolios of investments in managed futures accounts... show substantially less risk at every possible level of expected return than portfolios of stocks and bonds alone."

A third contributing cause of growth in managed futures accounts is the latter's solid performance, in comparison with other investment vehicles. It should be noted, in particular, that during 1978-1982 the annual rate of return on futures mutual funds was three times that on stocks and 28 times that on bonds, and that between June 1983 and June 1984, 13 of the top 20 performers in the futures-fund group had higher rates of return than all of the 20 top-performing securities mutual funds.

Which were the best-performing U.S.-based money managers in the four years between New Year's Day 1980 and New Year's Eve 1983? The answer is not as easy to

answer as one might think, because "best" means different things to different investors. Furthermore, it is somewhat misleading to compare trading managers with one another because they differ considerably in trading objectives, trading strategies and trading tactics.

Investment units of most, but not all, futures mutual funds are sold with a front-end load of 7 to 8 percent. The sales charge may be added to the unit value of the investment in arriving at actual purchase price of the unit, for example, \$1,000 plus \$70 equals \$1,070, or may be subtracted from nominal unit value, for example \$1,000 minus \$70 equals \$930. In a few cases, however, the general partner recoups the selling charges by taking all or a portion of the fund's earnings from investment of equity in interest-bearing media. Managed accounts opened in the name of a single person, however, practically never carry a front-end load.

The largest single component of costs is brokerage commission. Although the cost of executing a trade on a U.S. exchange rarely exceeds \$5, the charge to "retail" customers currently averages about \$85 per round turn; to limited partners of futures mutual funds, \$60-\$70 (although of late the average has fallen to the \$30-\$50 range); and to owners of large (250,000 and up) individual accounts and traders of similarly sized private pools, as little as \$15. In Europe, by contrast, the "standard" commission rate charged against managed accounts is \$100. Unsurprisingly, therefore, commission charges as a fraction of average annual equity in a managed account can vary from as little as 2 percent to as much as 25 percent—and go well above the higher figure if the money manager's trading system calls for an unusual

high volume of transactions. On the average, though, commission charges constitute from 15 percent to 18 percent of average annual equity.

The large majority of futures trading managers demand an administrative fee of 0.5 percent per month (about 6 percent per annum) of net asset value in the account; this fee is collected irrespective of gains or losses in the account, although its *ad valorem* character causes the fee's absolute amount to vary directly with the adviser's performance. Most managers also call for an incentive bonus, commonly computed at 15 percent per quarter on an increase in net asset value (after adjustment for deposits and withdrawals from the account) above a previous high point.

Owners of outsized individual accounts, like general partners of futures mutual funds, increasingly succeed, however, in extracting concessions in the fee structure: negotiating discounts in both fees (for example, 4 percent administrative, 10 percent incentive) or eliminating the administrative fee in return for increasing the incentive fee to, say, 20 percent or 25 percent. What one must expect in most instances, in any event, is that the total costs of management will run between 20 percent and 30 percent of average yearly equity. That means, in turn, that the trading manager must produce a gross profit of 40 to 50 percent in order to present investors with a net return that justifies the high risk the latter take. More than a few do so, not only in single years but over a period of years.

Morton S. Baratz is editor of *Managed Account Reports* in Washington.

Price Stabilization Talks Reach Impasse

By Brij Khindaria

GENEVA — Negotiations to conclude international agreements in stabilize commodity prices are at a standstill because of growing doubts about their ability to deliver results.

The United States has always been skeptical of proposals promoted by United Nations Conference on Trade and Development (UNCTAD) for international commodity agreements (ICAs) aimed at keeping world prices of certain commodities within pre-agreed price bands.

But similar skepticism was demonstrated in July by developing countries as well when they opted for a new international sugar agreement that did not contain provisions in stabilize prices.

The reasons for Third World skepticism are different from those of the United States but both reflect growing lack of confidence in the utility of ICAs in reducing price fluctuations.

The United States continues to oppose price stabilization accords because it feels that governments should not join hands in interfering with free market forces in turn.

Developing countries now recognize that current market conditions for such commodities as sugar have made price stabilization agreements unworkable.

For instance, so far this year world sugar markets have been unremunerative because prices have usually stayed below 6 cents a pound, whereas 13 cents a pound is generally considered to be the lowest price needed to cover costs. Stabilizing the price at such low levels is undesirable while raising them through an ICA is not feasible.

Both Western and Third World governments agree that poor nations exporting commodities are being seriously hurt by low prices. But consensus remains elusive on how to moderate the falling price trends.

In its latest annual report published on August 31, the UNCTAD secretariat said one of the main causes of low commodity prices is over-supply by producers. It implicitly admits that at this time creating agreement among producers to re-

duce supplies is more important than agreement among producers and consumers to stabilize prices through management of free markets.

UNCTAD continues to call for ICAs that would use a combination of export quotas and buffer stocks to stabilize prices. But running such accords can be very expensive. One estimate puts the cost of stocks for ICAs for cocoa, rubber, tin and sugar at more than \$3 billion.

This high cost is a reason that UNCTAD's ambitious Integrated Program for Commodities (IPC) has not met with much success since its inception in 1976.

The program requires conclusion of price stabilization agreements for 18 primary commodities, including cash crops, minerals and metals. A "common fund" of \$750 million is required in order to help the managers of each ICA to raise the money needed to pay for buffer stock operations.

Although agreement was reached to create the fund in 1980, subsequent U.S. opposition to setting up new international financial institutions is likely to keep it from becoming operational for some time.

Negotiations for ICAs have mostly failed. Only the ICAs for natural rubber and jute were completed after 1976. The four other current agreements — on cocoa, coffee, sugar and tin — existed before that date.

A new agreement on tropical timber is reported to be near completion and another on tea might also make it to the finishing line after some more rounds of negotiation.

Among other negotiations at various stages of advancement are those for meat, vegetable oils and oilseeds, hard fibers, bananas and cotton.

None of the existing agreements has worked effectively in stabilize world prices. While the agreements on coffee, rubber and tin are credited with having helped to temporarily moderate price falls, those for sugar and cocoa have failed miserably.

In cases where falling price trends were moderated, doubts re-

main on whether the credit should go to ICAs or whether the moderation would have happened anyway.

The reason for the doubts is the large size of the price range allowed in the ICAs. For instance, the range varies from 90 percent for sugar, 80 percent for rubber and 60 percent for cocoa to 30 percent for tin. The new sugar agreement, which will come into effect on January 1 next year, will abandon efforts to stabilize prices. Instead, it will promote consultation among importers and exporters whenever prices enter a sharply falling trend.

UNCTAD's secretariat remains convinced that "an effective international commodity strategy" is urgently needed to safeguard the interests of producing countries against a price collapse arising from factors outside their control. It has collected figures showing that Western exporters are hurt when Third World export earnings fall. For instance, between 1980 and 1982, the imports of Third World commodity producers fell by \$15 billion although their export earnings declined by only \$13.8 billion.

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A SPECIAL REPORT ON COMMODITIES

Few Signs of Upturn for U.S. Farmers Despite Strong General Economic Uptrend

By Jerome Idaszak

CHICAGO — The big news for the American farmer during the summer was no news — no drought, no federal program to idle cropland, no relief from high interest rates and no drop in the value of the dollar.

If the Soviet Union had not picked up its buying in the face of a Russian drought, the U.S. farmer would have been in very bad shape going into this fall's harvest.

Even with the Soviet buying, the comparatively cool days and timely rainfall across the midsection of America during the summer kept grain and soybean prices much lower than a year ago. That left farmers looking at potentially the second biggest corn crop on record and an equally big soybean crop. In addition, wheat farmers earlier in the year added to their already overflowing bins with a big harvest.

"A large portion of the rest of the U.S. economy has shown a strong uptrend, but that's generally not true in agriculture," said Ray Daniel, vice president for agriculture with Chase Econometrics, a forecasting firm based in the Philadelphia suburb of Bala Cynwyd.

"Farm income adjusted for inflation will be down this year and next," he added.

Farm income in 1983 was given a big boost due to widespread drought across the Midwest that hit a crop already reduced by a U.S. government program that paid farmers not to plant. Farm income, before adjustment for inflation, was \$26 billion last year. In 1984, it will be about \$22 billion.

The problem is continuing: supplies coupled with lack of exports because of the high value of the dollar.

"In 1983, the dollar went up 30 percent," Mr. Daniel said. "That cost the farmer 40 cents a bushel."

A look at future prices on the Chicago Board of Trade shows the falloff from a year ago.

Soybean futures, for example, were approaching \$10 a bushel in the summer of 1983 before various factors sent prices lower. In the summer of 1984 prices were below \$6.50 a bushel. Corn futures, \$3.30 a bushel at one point, went below \$3.

"That sets the stage for the 1985 U.S. program, which will be a strong debate on what we do about income," Mr. Daniel said. "We're going to have a real hot debate over two philosophies."

The first he summarized as "Let's drop loan rates and target prices, sell what the market will bear and get out of this problem"; the second says that "there's no such thing as free competition in the world anymore, that 90 percent of all wheat is bought and sold by governments. So we need to adjust our supplies and prop up our farmers with supports."

The debate is likely to be heated even though farmers do not command the numbers of votes they used to. In the 1930s, the years of Dust Bowl and John Steinbeck's "The Grapes of Wrath," one in four Americans lived on a farm. In 1984, about three in 100 fall to that group.

But the group's impact remains

significant in American politics; and it takes in both Republicans and Democrats.

While the administration of President Ronald Reagan has been strongly in favor of the market approach, it also came up with the 1983 program that was the most expensive in U.S. history — approximately \$23 billion.

"Maybe the demand will be so strong next year we won't have to worry about it," Mr. Daniel said. "But you've got a glut in wheat so big... 1.4 billion bushels. Corn is O.K., but it will be more than 1 billion bushels."

While the politicians debate new farm legislation in 1985, the traders on U.S. futures exchanges will be experimenting with a new cost management tool for farmers — option on agricultural futures.

"If properly and widely used, they [both futures and options] represent new tools that individual producers might use in addition to traditional federal programs," said Representative Dan Glickman, Democrat of Kansas.

Futures, of course, have been around since the Chicago Board of Trade was founded in 1848.

Options were banned after some abuses in the 1930s. But the futures industry has persuaded its federal regulatory agency, the Commodity Futures Trading Commission, to bless a pilot program for agricultural options.

The hope is that options will appeal to the farmer eventually because they work differently from futures, which are used by less than 5 percent of American farmers.

"We are very enthusiastic about the prospect for agricultural options; they're a limited risk alternative to futures," said William Byers, director of commodity research in New York for the investment firm of Bear, Stearns & Co.

"I think the agricultural community will become heavy users," added Bryan Monieson, chairman of the Chicago Mercantile Exchange.

The reason for their optimism lies in the unique nature of an option. A futures contract requires the holder to receive or deliver an underlying commodity or cash at a set price for a certain date; an option gives the holder the choice of exercising the option to buy or sell an underlying product.

The two work a bit differently. Ideally, Farmer Smith wants some protection for his crop. He could hedge, or sell a futures contract in corn or wheat that would lock in a price for him. But he faces two worries — if the value of the futures contract drops, he'll be required to add money to keep his position open. This could hurt him if the cash flow is a trickle until he harvests his crops.

The other disadvantage for Farmer Smith is that if the cash price soars, his futures position will

block him from reaping the higher profits.

If he turns to options, Farmer Smith will pay a fixed price — called a premium — when he begins to trade. That might be about \$1,000 or \$2,000 for a 5,000-bushel option. He will not get any phone calls for more cash. And if the cash price takes off, he lets his option expire and collects the higher profits.

"With options, he buys an insurance policy. It does not cap him on the upside if there's bad weather or a pickup in exports," Mr. Byers explained.

Mr. Byers thinks that agricultural options will meet with success quickly because brokers are familiar with options on stock, and so this will not be a totally new product for them to sell.

But others are more cautious. "It's tailor-made for the farmer, but it's so complicated that it's going to take a couple of years before the average guy understands it properly and utilizes it," said Thomas Cunningham, a corn futures trader who is chairman of the Chicago Board of Trade.

The CBOT has experience with both futures and options — on U.S. long-term Treasury bonds. Its bond futures contract does the biggest volume of any futures — more than 2 million a month this year. The CBOT has watched volume in T-bond options gather steam



and roar. Volume through the first seven months in 1983 in this contract totaled 703,704. In 1984, T-bond options volume was almost 3.7 million. "T-bond options started slow and gained strength; that's

what [agricultural options] will do," Mr. Cunningham said. The exchange eventually expects big business — it is spending \$1.6 million for education and marketing of agricultural options.

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Worldwide Trading Linkages Alter Commodities Exchanges

By Philip McBride Johnson

NEW YORK — There are futures markets scattered about the globe, the result of local needs for the most part. These exchanges operated for years — in some cases, generations — with relatively little regard for their counterparts in other countries. To be sure they watched each other's prices but, as a rule, each served its own geographical area with only moderate encroachment from foreign-based exchanges.

All of that is changing. Two years ago, a networking relationship or "linkage" was established between the European Options Exchange in Amsterdam, the Montreal Exchange and the Vancouver Stock Exchange in certain identical commodity options for gold, silver and various currencies, so that a market for at least some of those products would be open somewhere for up to 16 hours each day and investors could trade at any of the locations as if it were the near-

by exchange. Within the last few months, this linkage went to a 24-hour continuous cycle when the Sydney Stock Exchange was added to the global ring.

A similar linkage was introduced last week between the Chicago Mercantile Exchange and the Singapore International Monetary Exchange in futures contracts on Eurodollars and foreign currencies. And, in a few months, a third linkage involving gold futures between Commodity Exchange, Inc. in New York and the Sydney Futures Exchange Limited will probably start.

The principle behind these linkages is simple enough. When an exchange closes for the day, business shifts to other markets that are then open, or to a number of round-the-clock dealers in the same product. In the past, this lost business has been largely irretrievable. But linkages between exchanges in different time zones permit them to "pass the book" (that is, forward orders) back and forth. In practical

terms, this means that a trader can acquire an investment on one market and, while it is closed, add to or sell out of that position on one of the other linked exchanges. This flexibility should be attractive to traders, especially in highly volatile instruments when the inability to act due to a closed exchange could inflict major losses. In addition, linkage allows trading to occur with a single margin requirement and one broker's commission. Finally, the competitive environment present at the exchanges would offer better prices to the investor than would be available from individual dealers.

No one is prepared to guarantee that these linkages will all be successful. Picking the right products (that is, those with global appeal) and the right partners (ready to wait it out) are critical components. And these plans will operate across national boundaries where different laws, business customs and even cultures may be involved. Those who prefer the coziness of

dealing with local merchants only, under predictable conditions and with well defined rights, may find it difficult to adapt to the unavoidable uncertainties of cross-border trading. Even so, the assumption is made — and probably with justification — that users of futures markets can cope in the world economy as well as the scores of other industries that have survived the rigors of overseas trade in the past.

Futures trading in the United States is more heavily regulated than anywhere else in the world. This is due to requirements set by Congress and the Commodity Futures Trading Commission that mandate prior government approval of each new futures contract, each exchange and each trading professional (brokers, salespersons, advisors and money managers). Of course, the CFTC cannot effectively require a firm in Tokyo or London to meet U.S. requirements, at least as long as the firm keeps its business abroad. Here, then, is a challenge for linkages between ex-

changes in different nations: How to assure investors that their interests are equally protected at each location.

While parity of investor protection might be achieved through international treaties in which the governments agree to common requirements, this is a long and difficult road. Instead, the upcoming linkages will rely mainly on private agreements between the exchanges in which these matters are addressed and, to a degree, informal liaison between the CFTC and its counterparts in the other countries involved. While there may still be some room for confusion, the system will probably be as secure as any international commerce.

Most, if not all linkages, will utilize guarantee systems through the clearing organizations of the exchanges that should protect investors against default under all but the most extreme circumstances. Arbitration programs will also be available in most cases to resolve customer disputes. And, of course,

each of the linked markets will prohibit and police against fraud, price manipulation and the like. While not the full equivalent of hands-on regulation by the CFTC, these measures assure a level of investor protection that might be absent at a non-U.S. exchange but for such a linkage.

The CFTC has proceeded to review each proposed linkage between a U.S. futures market and a foreign exchange with great deliberateness. In the case of the CME/SIMEX link, that process is virtually completed after many months of discussions. The regulations and the exchanges seem reasonably satisfied that all that can be done to make the plan safe has been done. The next step will be to offer the linkage to the trading public worldwide and to see if it agrees.

Philip McBride Johnson, partner in a New York law firm, was formerly chairman of the Commodity Futures Trading Commission.

Forecasting the Boom in Futures Rate Agreements

By Sherry Buchanan

LONDON — Since mid-July, the new market in futures rate agreements (FRAs) — the latest in interest-rate hedging devices — has been experiencing a mini-boom. But it is still too early to tell if banks' increased participation in the market will last or will fizzle out after the novelty wears off.

The FRA is in its infancy. Citicorp International Bank Ltd., the merchant bank of Citibank, London, started using the interest-rate hedging device late last year. But it was only in June that Tradition, the Lausanne-based money broker, introduced its own version and marketed it to a large number of banks. FRAs are the latest alternative to financial futures, interest-rate

swaps and options. Active deal makers now include the U.K. merchant banks, Hambros, Barclays, Citicorp in London, Banque Nationale de Paris and Société Générale in Paris as well as some Luxembourg and Canadian banks.

The FRA does not trade on an official market like the Chicago commodities exchange or Liffe. It is a private agreement between banks. Tradition and most of the London money brokers are acting as the match-makers between Bank A, which wants to hedge against a rise in interest rates, and Bank B, which wants to hedge against a decrease in interest rates. The rate taken for comparison is the London interbank offered rate (Libor).

The FRA offers several advantages that its cousin, the financial

futures contract does not have. For one, the FRA does not have any margin calls. The FRA does not have any specific delivery dates either.

"With the FRA you have 360 delivery days a year," said a trader with one of the London banks. "You only have four delivery days a year with a financial futures contract."

In addition there is no capital risk. After the recent problems experienced by Continental Illinois, bankers are once again wary of taking too great a risk with each other. On the delivery date of an FRA, the banks party to the agreement only exchange the interest differential, not the amount of the deposit.

Like the financial futures contract, the FRA is a good way for banks to increase off-balance sheet earnings. "It's a great way for banks to economize on the cash," said Jacques Baudou of Société Générale in Paris.

Hambros is already offering the FRA as a hedging device to corporate treasurers. "A futures contract is slightly inflexible as far as our

customers are concerned," said Ken Williams, chief trader at Hambros. "For a lot of our smaller customers who do transactions of between \$3 million and \$5 million it's not worth paying the margin every day." Other banks say they have not been approached by any of their corporate clients yet but expect to be able to offer the hedging device as well.

Ebb and Flow of World Oil Market

(Continued From Page 9)

heating oil prices are the biggest headache for the industry today, with gasoline running a close second," Mr. Evans noted. "Crude oil prices are actually less important because they are not controlled to a large extent by OPEC and the big companies."

While the Merc's heating oil and gasoline futures prices are based on delivery in New York harbor and crude oil in Cushing, Oklahoma, it does not affect most hedgers because they do not buy or sell futures with the intention of taking actual delivery. Rather, they merely

use the futures as insurance against adverse prices on the fuel they have bought or contracted to sell.

But there is a growing number of companies in the oil distribution business who are using the Merc's energy futures as "paper tank farms." Instead of actually buying the physical oil, they buy the futures. And instead of delivering fuel to their customers, they deliver the contracts.

The initial cost, or cash margin, of a futures contract is roughly 5 to 10 percent of the value of the fuel. But this margin must be maintained as long as the contract is held. However, these contracts can be closed out at any time before they expire. Buyers do this by selling; those who sold short cover close out their position by buying.

One advantage of futures to dealers is that they can save storage and transport costs, while being protected against adverse price moves.

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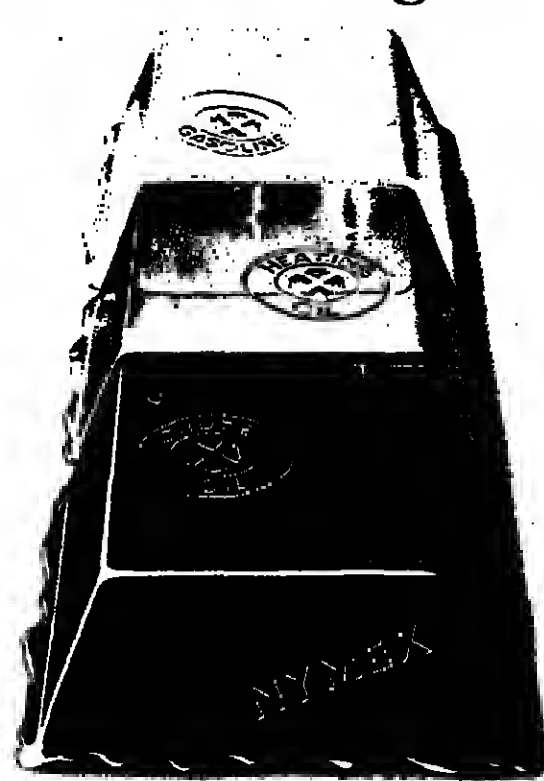
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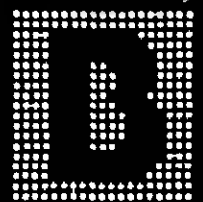
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FUTURES AND OPTIONS

A 'Gentleman's Agreement' Catches Swiss Bankers Short

By H.J. MAIDENBERG

New York Times Service

ZURICH — Few events in recent decades have so shaken the Swiss banking community as the phenomenal growth of the U.S. and British financial and stock-index futures and options markets.

One result of rising investor interest in these markets is that it is undermining an odd "gentleman's agreement" that has long existed between the Swiss banks and foreign brokerage houses doing business in Switzerland.

Under this arrangement, foreign brokers were supposed to refrain from soliciting local accounts. In return, the Swiss banks let the foreign brokers execute most of their securities business on foreign financial and equities markets.

The system worked well until recently. Now, the Swiss banks have found that many of their institutional and individual clients are moving their accounts to the foreign brokerage houses, mainly in the United States.

"When you have a monopoly, you become protective, not innovative."

Why? "Because more and more of our institutional and other clients are getting involved in these futures and options markets that we Swiss banks have been ignoring," said Nicolas J. Baer, chairman of Bank Julius Baer, one of the major banking organizations in Zurich.

Mr. Baer continued: "We Swiss bankers have not been innovative for two main reasons. One, we have long had a monopoly on managing money for our clients here. When you have a monopoly, you become protective, not innovative. Secondly, Swiss banks, like our counterparts in other countries, have always equated futures and options with commodities, and commodities with speculation, which we considered the opposite of prudent investing. That is why there is no commodity exchange in Switzerland."

But today, he said, portfolio managers are often considered imprudent if they do not use financial and stock-index futures and options to hedge, or insure, their holdings. "And once the accounts move to the Drexel Burnham, Merrill Lynch and other brokers," he added, "they don't come back to the banks."

This is why the Zurich Stock Exchange is considering opening Switzerland's first futures and options markets.

"We estimate it will take three years to organize such markets, install the electronic equipment and, most important, acquire the level of expertise comparable to the talent in the Chicago futures and options exchanges," Mr. Baer said. "Actually, our biggest problem is finding space for futures and options."

THE building housing the Zurich Bourse, where trading has soared by 50 percent in the last two years, is owned by the municipality, which uses the only other available floor for political and other meetings. The local officials have indicated that they do not relish giving up the centrally located and traditional meeting hall.

"At any case, the Bourse intends to move into a new building by 1990," Mr. Baer said, "and meanwhile we expect that, under the gentleman's agreement, the United States brokers will maintain their traditional low profile."

A somewhat different view was offered by Niklaus Inderbitzer, regional manager of Merrill Lynch Capital Markets, Zurich, who said: "The gentleman's agreement is still holding. But the fact is that today's money managers and other investors require expertise in the new financial and index markets. If the banks didn't they can provide it one day, fine. At the moment, the foreign brokers have this expertise."

As a result, Merrill Lynch alone has increased its list of local institutional clients to 60 from nine since 1982, Mr. Inderbitzer said, without soliciting business. Other major foreign brokers have had similar gains, he added.

"Most of the Swiss futures and options business flows to the London markets," he said, "but we will have more of it to move (Continued on Page 15, Col. 1)"

Currency Rates

Latest interbank rates on Sept. 10, excluding fees.

Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 2 P.M. EDT.

	S	D	O.M.	F.F.	I.L.	Gdr.	B.P.	S.F.	Y.F.
American dollar	3.339	2.725	112.425	3.245	3.181	3.202	3.202	103.55	107.39
British pound	8.227	28.125	4.815	3.285	17.84	34.225	34.225	24.25	24.25
French franc	2.222	3.812	—	—	—	4.967	10.13	1.719	—
German mark	1.225	—	2.815	11.707	2.243	4.303	7.783	1.743	21.45
Italian lira	1.822	21.13	61.22	20.74	—	54.70	34.48	79.95	7.50
Japanese yen	1.225	—	2.815	11.707	2.243	4.303	7.783	1.743	21.45
Swiss franc	1.165	11.645	36.97	—	4.775	27.11	15.275	36.72	3.79
U.S. dollar	3.339	2.725	112.425	3.245	3.181	3.202	3.202	103.55	107.39
100 yen	2.487	3.142	82.88	27.45	0.135	72.47	4.728	—	1.073
1000 yen	2.487	3.142	82.88	27.45	0.135	72.47	4.728	—	1.073
1000 yen	2.487	3.142	82.88	27.45	0.135	72.47	4.728	—	1.073

Interest Rates

	1 m.	3 m.	6 m.	1 yr.
10% - 11%	11%	11%	11%	11%
11% - 12%	11%	11%	11%	11%
12% - 13%	11%	11%	11%	11%
13% - 14%	11%	11%	11%	11%
14% - 15%	11%	11%	11%	11%
15% - 16%	11%	11%	11%	11%
16% - 17%	11%	11%	11%	11%
17% - 18%	11%	11%	11%	11%
18% - 19%	11%	11%	11%	11%
19% - 20%	11%	11%	11%	11%

Source: Federal Reserve Bank of New York. All rates are annual percentages.

1 m. = 1 month; 3 m. = 3 months; 6 m. = 6 months; 1 yr. = 1 year.

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Fall Seen In Output By OPEC

Mideast Survey Reports Decline

The Associated Press

NICOSIA — Total crude oil production by the 13 members of the Organization of Petroleum Exporting Countries in August fell to 16.4 million barrels per day, 1.1 million below the quota ceiling of 17.5 million, a weekly oil journal reported Monday.

The journal, the Middle East Economic Survey, said reliable data on OPEC production figures were not easily available. It said it arrived at its figures on the basis of its own rough estimates.

The August figure of 16.4 million barrels per day compared with estimated OPEC production of 17.8 million barrels per day in August 1983, the journal said.

At the indicated level of 16.4 million barrels per day in August, OPEC crude production was only slightly more than the projected 16.2 million barrels per day of OPEC crude required to meet expected non-communist world consumption in the third quarter of the year, the journal said.

"With the market thus more or less restored to balance and the expected fourth-quarter seasonal increase in demand now approaching, it is difficult to see last week's market weakness... as anything more than a temporary phenomenon," the journal said.

"Some observers feel that buyers are simply hanging back for the time being to see whether financial pressures due to lower exports (in Iran and Nigeria) will oblige producers to give bigger discounts. But provided the producers keep calm, the problem should be short-lived," the journal said.

[The Middle East Economic Survey said that last month's biggest drop in output was in Iran, where production fell to 1.7 million barrels per day from July's estimated output of 2.4 million barrels daily, Reuters reported. Output was also lower in Saudi Arabia, Libya, Nigeria, Indonesia and the United Arab Emirates, the journal said.]

Gasoline Prices Rise

An industry analyst said that stabilization of "world" oil prices prompted a quarter-cent increase in the average price of gasoline in the United States in the past two weeks, United Press International reported from Los Angeles.

Dan Lundberg's biweekly survey of dealerships in the 50 states showed Sunday that the average overall price of gasoline at the pumps was \$1.182 per gallon, up 0.27 of a cent since the last survey.

Regular unleaded gasoline at self-serve pumps averaged \$1.063 a gallon, up 0.36 of a cent. Regular unleaded was \$1.141, up 0.34, and premium unleaded was \$1.273, up 0.2 of a cent.

At full service pumps, regular unleaded was \$1.278, up 0.04, regular unleaded was \$1.344, up 0.19, and premium unleaded was \$1.424, down 0.01.

Prices started falling in May and continued to decline for 14 consecutive weeks through the heavy summer driving season, Mr. Lundberg said.

"But in the past four weeks, the prices have started to go up again because of the decision by OPEC to curtail production and its decision to stop the big discounts on the spot market," he said.

Some financial analysts believe that part of the cash being sought by the bank will go toward financing massive Soviet grain purchases in the United States, where Moscow has spent more than \$1 billion in the past six weeks.

But others see this as a secondary consideration and are more fascinated by the Russians' growing flexibility in adopting purely capitalist banking methods to increase or spread their funds.

Nowhere has this been more evident than in the growing Soviet role in the international foreign-exchange markets.

Jan Vanous, a research director with Wharton Economics in Washington, describes the Russians as "highly speculative players" who have become skillful at using huge sums and can transform markets by their activity.

Although the Narodny is involved in this field, most of the market-moving is done by the Moscow-based Foreign Trade Bank and its team of dealers, many of whom were trained in London.

While the Soviet media regularly inveigh against the high value of the dollar, Mr. Vanous believes Moscow will always support it if it comes under pressure because a large chunk of Soviet reserve holdings is denominated in the U.S. currency.

"Although short-term cash needs may play a certain part in motivating the Russians' behavior, the overall impression is that they are using the foreign-exchange markets largely as a means to produce profits," a Western banker in Moscow said.

Moscow has also become more involved in Western finance this year by drawing major loans for the first time in nearly four years.

Since May it has raised three credits totaling \$525 million and found European and Arab banks more than eager to lend after overcoming their caution towards the Soviet bloc following Poland's debt crisis.

Only U.S. banks have so far shown no eagerness to become involved, but Western bankers in Moscow believe this reticence may be short-lived.

Japan's Big Microprocessor Push

Firms Expand Their Work on Semiconductors

By Andrew Pollack

New York Times Service

TOKYO — When NEC Corp. introduced a new family of microprocessors last spring, it marked a watershed for the Japanese semiconductor industry.

Japanese companies have already achieved well-publicized success in the market for memory chips, or circuits that store data in computers. U.S. manufacturers were alarmed when the Japanese captured the world market for two popular memory chips, known as the 64K and the 256K dynamic RAMs, or random access memories.

But now the Japanese are trying to move beyond RAMs into more complex chips requiring more design innovation. NEC's move into these microprocessors, the chips that serve as the brains of personal computers, is the boldest step in this direction, and one that is far from certain to succeed.

"Generally, Japanese companies' products have been oriented toward memories and other easy products," said Tomihiro Matsumura, senior vice president and director of NEC.

"We have to increase our position in the business field," he said. "To do so, we need proprietary products."

While Japan's move beyond RAMs faces many challenges, Japanese producers are making steady progress in expanding the scope of their activity in the semiconductor field.

Japanese companies accounted for 36.8 percent of worldwide shipments of semiconductors of \$18.7 billion in 1983, up from 34.2 percent of shipments of \$14.9 billion in 1982, according to Dataquest, a California market-research firm.

And Japanese companies have also surpassed U.S. companies in the amount that they are investing in new plant and equipment, as they continue to expand aggressively.

Already Japan has produced some giants. NEC is now the third-largest semiconductor maker in the world, behind Texas Instruments Inc. and Motorola Inc., while Hitachi Ltd. and Toshiba Corp. are fourth and fifth, respectively. Much of the Japanese gains have been in memory chips. Hitachi was the largest memory-chip producer in 1983, rising from sixth in 1980.

Dynamic RAMs were the initial focus of Japan's efforts in the market because they are the largest volume part used and are fairly easy to design. Also, because they are standard parts, sophisticated marketing is not needed. The trick is in making them, a task at which the Japanese excel.

Japanese companies, particularly Hitachi and Toshiba, have also captured the dominant share in the market for a slightly different part, the static RAM. And several companies are making inroads in the market for erasable programmable read-only memory chips, or EPROMs.

Japanese companies, led by Fujitsu Ltd., are also becoming strong in the production of semiconductors known as gate arrays. These chips are mass-produced until the final few processing steps, when they are customized for each user.

Many analysts had expected that the trend toward more customized parts would hurt Japanese suppliers in the U.S. market

Japan's Presence in Semiconductors

The worldwide semiconductor market includes microprocessors, memory

Tables include the nationwide prices

Stock	Div	Yld	PE	Stk	100s	High	Low	Close	Open	Chg
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(Continued from Page 8)

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Jun	22.00	22.00	22.50	22.50
Jul	22.00	22.00	22.50	22.50
Aug	22.00	22.00	22.50	22.50
Sep	22.00	22.00	22.50	22.50
Oct	22.00	22.00	22.50	22.50
Nov	22.00	22.00	22.50	22.50
Dec	22.00	22.00	22.50	22.50

Volume: 7 rubbers.

SINGAPORE RUBBER			
Futures contracts per 100 lbs			
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RSR 1 Mar	18.50	18.50	18.50
RSR 1 Apr	18.50	18.50	18.50
RSR 1 May	18.50	18.50	18.50
RSR 1 Jun	18.50	18.50	18.50
RSR 1 Jul	18.50	18.50	18.50
RSR 1 Aug	18.50	18.50	18.50
RSR 1 Sep	18.50	18.50	18.50
RSR 1 Oct	18.50	18.50	18.50
RSR 1 Nov	18.50	18.50	18.50
RSR 1 Dec	18.50	18.50	18.50
RSR 1 Jan	18.50	18.50	18.50
RSR 1 Feb	18.50	18.50	18.50
RSR 1 Mar	18.50	18.50	18.50
RSR 1 Apr	18.50	18.50	18.50
RSR 1 May	18.50	18.50	18.50
RSR 1 Jun	18.50	18.50	18.50
RSR 1 Jul	18.50	18.50	18.50
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RSR 1 Oct	18.50	18.50	18.50
RSR 1 Nov	18.50	18.50	18.50
RSR 1 Dec	18.50	18.50	18.50
RSR 1 Jan	18.50	18.50	18.50
RSR 1 Feb			

Mile Cars	8	32	10-1	8-31
Mobile Gas Service	2	34	10-1	8-31
PROPOSED STOCK SPLIT				
Universal Treadle Exchange - 3-for-2				
USUAL				
All Laboratories Inc.	Q	30	10-1	8-30
American Income Life	Q	30	10-1	8-30
Amity Corp.	Q	30	10-1	8-31
Bank of America	Q	30	10-1	8-31
Barnhart Int'l.	Q	30	10-1	8-31
Pennhurst Hgts Vg Tr	Q	18 1/2	9-28	8-31
Pharmacia Corp.	Q	30	10-1	8-31
Pittman Oil Co.	Q	30	10-1	8-31
Public Serv. Grp.	Q	30	10-1	8-31
Putnam Off. Currant	Q	30	10-1	8-31
Ryan's Family Steak	Q	30	10-1	8-31
USF&G Insurer	Q	30	10-1	8-31
Wm. Wrigley Chewing	Q	30	10-1	8-31
Wyde Laboratories	Q	30	10-1	10-15

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[illegible]

United Press International
BYE BROOK, New York

Business Machines Corp. introduced on Monday new graphics displays and programs for personal computers, a new model in its orange computer line and new models in larger System 38 line.

IBM said the professional graphic displays and graphics controller will enable personal computers to generate and display as many as 256 colors simultaneously from a selection of 4,096 colors.

The display is priced at \$1,295 and the controller is \$2,995.

The company also introduced a personal computer display and adapter offering high definition text and graphics in 16 colors simultaneously from a selection of 64 colors. The display is priced at \$849 and the adapter ca-

IBM also unveiled a PC engineering-scientific series. The new programs and adapters can be used for engineering models, advanced scientific computations, and in the control of instruments in laboratories and factories.

[illegible][illegible]

174	+	Oper Share	0.03	
+	+			
+	+	9 Months	1984	19
+	+	Revenue	3,370	4,048
+	+	Oper Net	22.85	84
Prev. actual	+	Oper Share	0.29	1.7

Gelco				
4th Quar.	1984			
Revenue	252.7			234
Net Income	5.21	(a)	20.0	
Per Share	0.37			
Year	1984			
Revenue	929.0			938
Net Income	15.62	(a)	20.0	
Per Share	1.12			

Previous		Heinz (H.J.)	
1st Quas.		1984	1985
Revenue	1,020	1,020	940
Net Income	72.8	72.8	61

[illegible]

3	2,221	2,232
3	2,140	2,137
0	2,145	2,150
5	2,100	2,115

234.75 231.05
230.75 221.05
234.50 221.05
238.00 228.25
241.75 228.75
241.00 242.00
241.00 241.00
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ment. Retail sales volume in June-August was one percent higher than the previous three months.

To Our Readers

The Deutsche mark futures options did not command the same

Air Florida Pact May Be Canceled

The Associated Press

MIAMI—A federal bankruptcy judge gave Air Florida permission

Monday to terminate an agreement it made with Eastern Airlines to

a Miami-London route.

However, Judge Sidney Wea reserved until Friday a decision

whether it can terminate an agreement to sell landing slots in New York and Miami.

Judge Weaver has set Friday

the deadline for Air Florida and Chicago-based Midway Airlines.

devise a plan to put Air Florida back in the air. Air Florida, which

filed for protection from creditors under bankruptcy laws, said M...

way would not be interested without the slots.

BUSINESS ROUNDUP

Sports Car Body Contract for GM Helps Pininfarina to Bounce Back

By John Tagliabue
New York Times Service

TURIN—Pininfarina, the Italian design company, sells under two flags these days. On the one hand, it is the design center for the big new design center just outside this Piedmontese town, the American-made Alfa Romeo, which is to be built in the United States. On the other hand, it is the design center for the new GM sports car, which is to be built in Italy.

For Pininfarina, which is to be built in the United States, the design is an economic rather than a political statement.

Just three years ago, Pininfarina was shaken by the recession. The

company's factory outside Turin was shut by strikes, and a major contract with Fiat, its largest customer, fell victim to the austerity Italy's largest automaker imposed to get its own house in order.

Today, though, a final verdict is pending, all that appears to be radically altered for the better, thanks in part to the GM agreement.

Last year, Pininfarina emerged from losses with a \$1.1-million profit, and started a two-year, \$15-million modernization program to tool up for GM production.

Under the GM arrangement, Pininfarina will design and build a convertible body for a Cadillac sports car, to be called the Callisto. GM hopes the new car will garner a share of the lucrative sports car market in the United States.

"The General Motors accord was extremely important," Sergio Pininfarina, the son of the company's founder and its present chairman, said recently. "First, psychologically. For the first time, the world's biggest automaker grasped that it paid to engage a company like ours in a specialized project. If the accord succeeds, it opens new paths for Pininfarina."

Secondly, the economic side: It permits Pininfarina to enlarge itself and to modernize, in a qualitative more than a quantitative sense."

For some, Pininfarina's contract with GM, following a similar accord between Chrysler and Maserati, the sports car maker, was chiefly a victory for Italy's design industry, which by some estimates earns the Italian economy as much as \$10 billion yearly in export revenues.

But more important, some analysts feel, the company's recovery from bitter labor problems and declining profitability is emblematic of the way many of the family-owned companies that form Italy's economic backbone are prospering by seeking out market niches and supplying specialized services to corporate customers that could not perform them as cheaply themselves.

The critical move in the company's development was the decision in 1981 to begin producing small

BA Takes Case to Public Over Routes

LONDON—British Airways PLC went to the public Monday in its dispute with the government over plans to hand 30 of its major profitable routes to private operators.

The state-owned airline bought double-page spreads in the national press Monday to argue that the proposed handovers would do "nothing to stimulate a better service since there's no extra competition."

The chairman of the state-owned airline, Lord King, also told a radio reporter Monday that he and fellow directors will not obey orders to give up any routes. Defiance could mean the firing of the entire BA board.

The cabinet is to decide on the proposal, which was made by the Civil Aviation Authority, at its regular Thursday meeting.

Lord King has threatened before to resign if the government accepted the proposals.

Lord King, an industrialist and founder of engineering companies, said Monday that he had accepted leadership of BA in 1981 after being promised the airline's routes would be safeguarded.

In two years, Lord King cut the payroll from 58,000 to 36,000, reversed losses of \$544.8 million (then nearly \$1 billion) and achieved an operating profit of £250 million (then \$365 million) in the fiscal year that ended March 31.

The government intends to sell BA to private enterprise next year.

The aviation authority is recommending that BA's operations from London's airport at Gatwick, and European flights from regional airports in the rest of Britain, should be transferred to independent operators.

Alcohol-Free Movement Is Big Business in France

PARIS—One of the newcomers to the French café scene has nothing to do with champagne, beer or mineral water. It is Brut de Pomme, a cider aimed at the cola consumer, and it is part of a change in drinking habits that is causing far-reaching changes in the French beverage industry.

Leading the new wave is the sans alcool movement, a shift by people concerned with health and diet away from alcoholic beverages to such things as alcohol-free beers, American soft drinks, iced teas, mineral waters, even an anis-based drink called Pacific.

The same phenomenon has been observed elsewhere in Europe and, with particular force, in the United States. But in France, where a meal without wine has historically been viewed as uncivilized, it carries additional cultural overtones.

"We don't drink every day the way we used to because our way of life is completely different," said Henry de Montigny, who follows the beverage industry for Tuffier Ravier, one of Paris's biggest stockbrokers, and who himself owns a vineyard.

"If people want to drink wine, instead of drinking a bottle of table wine each day at lunch between two or three people, they'll more often opt for a more expensive bottle of wine two or three times a week."

Over the last five years, the sans alcool movement, supported in recent months by a government tele-

vision campaign against drinking too much, has developed into a billion-dollar business. While it has had little impact on the market for premium wines and champagnes, it has cut sharply into demand for French table wine and wine-based aperitifs.

According to the French soft drink union, Syndicat National des Boissons Rafraichissantes, consumption of colas, tonics, bitters and fruit juices has rocketed, with cola consumption alone growing from 165 million liters (about 43 million gallons) in 1978 to 226 million liters last year. During the same time, French table wine consumption dropped 20 percent and beer sales remained flat.

One inconsistency stands out: At the same time that demand is falling for table wine and aperitifs, the appeal of the mixed drink has increased sales for grain spirits like gin and vodka.

According to Denis Berthou, communications director of Pernod Ricard, France's leading beverage producer and distributor of Cointreau and Brandy, France is also the only country in Europe where whisky sales are increasing.

"The mode is toward the long drink," said Gérard Lamy, a Paris-based beverage analyst with Union des Assurances de Paris, referring to the American practice of mixing alcohol with fruit juices.

The company that best illustrates the change in French drinking habits is Pernod Ricard, a reducer of Brut de Pomme. Although

the company made its reputation selling pastis, an alcoholic anis-based drink, it has been steadily expanding into the nonalcoholic beverage market since 1975 and is beginning to reap big rewards.

Last year, for example, sales for Pernod Ricard's alcoholic beverages in France slipped below 50 percent of annual sales for the first time. Demand for traditional aperitifs, like pastis and Dubonnet, and for such after-dinner drinks as cognacs and calvados was off as much as 16 percent, with sales down from \$545.8 million, to \$515 million.

By contrast, the company's non-alcoholic beverages and products division registered a 16.7-percent rise in French-based sales for products such as Coca-Cola and Orangina, an orange-based soft drink. Despite falling demand for alcoholic beverages, Pernod Ricard finished 1983 with earnings of \$58.8 million, 27 percent up from \$46.3 million a year earlier, on sales of \$946 million.

"That increase was due to our nonalcoholic division," Mr. Berthou said, adding that nonalcoholic beverages will account for 40 percent of sales this year. Mr. Berthou said Pernod Ricard had invested \$3.75 million in Brut de Pomme, the most it has ever invested in a single product.

Still, some analysts say the costs associated with producing soft drinks are high, requiring a 10-cent investment for every 12.5 cents of sales.

And others contend that the soft drink movement is less a reflection of public worry over health and diet than of simple monetary concerns. They point to the vignette, a stiff 10-franc (just over \$1 at current rates) social security tax instituted by the government last year on all spirits with more than 25 percent alcohol.

"The vignette was a very, very heavy tax for French people," Mr. Lamy said, adding that taxes on spirits of more than 25 percent alcohol account for 77 percent of their cost, compared with 55 percent five years ago.

So far, however, beer and wine consumption has remained almost unaffected by the tax. According to the Confédération des Associations Viticoles de France, the French table wine union, table wine consumption has continued its five-year free fall, from 38.5 million hectoliters in 1978 to 31.5 million last year.

And according to the Union Générale des Brasseries en France, which accounts for 50 percent of French beer production, overall beer consumption has remained at 22.4 million hectoliters during the same period.

Meanwhile, producers of premium alcoholic beverages are calmly going their way. A spokesman for Moët Hennessy, asked whether the producer of fine champagnes and cognacs would consider venturing into the soft drink market, said: "Absolutely not. We're staying right where we are."

Bell Group Says Profit Up 126%

PERTH, Australia—Bell Group Ltd. reported Monday that net earnings rose 126 percent to 40.54 million Australian dollars (\$33.68 million) in the year ended June 30 from 17.86 million the year before.

The rise in the multinational transport and communications group's profit came from across the full range of its activities, the chairman, Robert Holmes à Court, said. The world economy is recovering and greater efficiency in the group's operations, particularly in newly acquired companies, contributed to the earnings rise, he said.

Associated Communications Corp. PLC has become more efficient, after restructuring, in the period Bell has controlled it, he said. He added that Bell has been disposing of those assets it is not prepared to invest more in, and using the funds to invest in those it is keeping.

But more important, some analysts feel, the company's recovery from bitter labor problems and declining profitability is emblematic of the way many of the family-owned companies that form Italy's economic backbone are prospering by seeking out market niches and supplying specialized services to corporate customers that could not perform them as cheaply themselves.

The critical move in the company's development was the decision in 1981 to begin producing small

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The critical move in the company's development was the decision in 1981 to begin producing small

Heinz Reports Rise in Net

PITTSBURGH—H.J. Heinz Co. said Monday that despite the strong dollar's adverse effect on overseas earnings, its profit rose 17.2 percent in the first quarter of its fiscal year.

Apple Introduces Bigger-Memory Macintosh

CUPERTINO, California—Apple Computer Inc. said Monday that it has introduced a new Macintosh personal computer with a bigger memory.

Its 512 kilobytes of internal memory, or 512,000 characters, will allow users to take advantage of larger documents and models, faster response time and more than 40 business productivity software programs, Apple said.

The company said the 512K was introduced several months ahead of schedule because "significant quantities" of 256K microchips are now available.

They said it will carry a suggested retail price of \$3,195.

Apple said it is also cutting the price of its 128K Macintosh to \$2,195 and a 512K memory expansion kit will be available for \$995.

The 512K "increases the capacity of Macintosh, Apple's project management tool to be released next month, enabling users to work on up to 2,000 tasks per project."

"Should a user need to develop a project with only 200 tasks, the Macintosh 128K system would be the right choice," it said.

With its Macwrite program, users can now store up to 80 pages of text.

It said Microsoft's multiplan spreadsheet models also are significantly larger on the 512K.

Apple said a 512K system will be necessary to run Lotus Development Corp.'s future Macintosh product.

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COMPANY NOTES

American Information Technologies Corp. growth plans have been restricted by a shortage in digital switching systems, according to James I. Howard, president. Ameritech plans a 1985 capital budget of about \$1.6 billion, slightly under the 1984 level, he said.

Centrais Elétricas Brasileiras SA, known as Eletrobras, has raised a \$1.5-billion yen (\$61.2-million) five-year syndicated loan, Bank of Tokyo Ltd. said. The first tranche is for 9 billion yen at 1.625 percentage points over Japan's long-term prime, currently 7.9 percent, the second a floating rate of 1.425 points above the long-term prime rate, reviewed every six months.

Dee Corp. PLC, formerly Linford Holdings, is making an agreed-upon bid for Lennons Group PLC on the basis of two Dec ordinary shares for every 19 Lennons ordinary shares. The offer values Lennons at £23.2 million (\$29.5 million) or 59.8 pence per share. The companies said their retail businesses are complementary.

ITT Corp., the telecommunications manufacturer, said it is making the Netherlands its European distribution center through which 2 billion guilders (\$396 million) of ITT goods are expected to flow each year. The company said it will also invest 500 million guilders in its Dutch subsidiaries over the next five years.

Lufthansa, the German airline, said it is cutting roundtrip holiday fares from nine U.S. cities to West Germany from Nov. 1 to April 30. For example, the New York to Frankfurt fare will be cut \$100 to \$499.

Malaysian Airline System, the state-owned carrier, expects net profit in the year ending March 31, 1985, to be above 1983-84's 90 million Malaysian dollars (\$38.4 million), after an anticipated 50 million dollars in the first half, largely because of a projected increase in revenue and reduction in operating costs.

Mannesmann Anlagenbau AG, a

subsidiary of Mannesmann AG, and International Management & Engineering Group Ltd. of London won a \$170-million contract to build a 215-kilometer (133-mile) oil pipeline in Colombia. The contract was awarded jointly by Occidental Petroleum Corp. and the Colombian state oil company, Ecopetrol.

Pay 'n Save Corp. directors Samuel N. Stroum and Stuart Sloan said they may make a proposal to acquire the company or "otherwise generate a better deal" for stockholders. The two, who control 18 percent, last week voted against a plan for the company to be acquired by investors led by Trump Group and three senior management members.

Ruhrkohle AG's shareholders approved a bid by the diversified energy group VEB AG to increase its stake in Ruhrkohle.

West Germany's largest coal-mining concern, to 40 percent from 27.2 percent. Vereinigte Elektrizitätswerke Westfalen AG also received shareholder approval to lift its stake to 22 percent from 0.2 percent.

Standard Telephones & Cables PLC said bid acceptances have increased its stake in ICL PLC to 367.9 million ordinary shares or 81.4 percent, and the STC offer is now wholly unconditional. It said its offer will remain open until further notice.

Volvo North America Corp. plans shortly to commence a cash tender to buy up to four million common shares of Hamilton Oil Corp. at \$19.50 each. The plan is in line with previously announced intentions, it said. Volvo North America currently owns 8.04 million shares, or about 32 percent, in Hamilton.



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Swiss Look At Options

Continued from Page 13

on to Chicago and New York as the 24-hour trading day is transformed from an informal to a structured market.

Meanwhile, Ferdinand Prisi, chairman of the Swiss Commodity and Futures Association in Geneva and president of Consolidated Financial Services in Lausanne, has been trying to avoid any further problems between his fellow bankers and the foreign brokers in a typically Swiss manner.

Mr. Prisi's association has opened an international institute in Geneva to train both foreign and Swiss bankers and brokers in financial and stock-index futures and options markets.

The Daily Source for International Investors.

Tables include the nationwide prices up to the closing on Wall Street

[illegible]

NASDAQ National Market Prices

[illegible]

The Associated Press

WASHINGTON — President Ronald Reagan ordered the International Trade Commission on Monday to launch a top-priority investigation of tobacco imports to help him determine whether to impose trade restrictions to protect the domestic tobacco industry and the federal excise tax on cigarettes.

SPORTS

McEnroe Overwhelms Lendl
For U.S. Tennis Championship

By Jane Gross

NEW YORK — John McEnroe used his battery of serves and volleys, alternately overpowering and teasing, and dominated Ivan Lendl to regain the U.S. Open tennis title he held from 1979 to 1981.

McEnroe's 6-3, 6-4, 6-1 victory Sunday was a testimony to his artistry and will as it came less than 15 hours after a bruising five-set semifinal victory over Jimmy Connors, a match that lasted 3 hours 45 minutes and ended at 1:13 p.m. Saturday.

"I feel unbelievable and terrible at the same time," McEnroe said after winning his second consecutive Grand Slam tournament, running his match record for the year to 66-2 and collecting the \$160,000 first prize. "My body said, 'That's enough,' but the fact that I was tired made me concentrate better. The more tired I felt, the better I thought I hit the ball. It was a mental thing — push, push — and I didn't get angry at anything because I needed every ounce of energy I had."

Conservation of energy was a lesson McEnroe had learned at the French Open, when the temperamental explosions that have marked his career turned a two-set lead into a five-set loss to Lendl, giving the Czechoslovak his first victory in a Slam event. After that defeat and another stormy display at a Wimbledon preparatory tournament, McEnroe has displayed a sort of serenity.

"I learned certain things about wasting energy," said the New Yorker who had gained the Wimbledon title with good manners and dazzling play, including a final round triumph over Connors that McEnroe characterized as his finest match ever. "It hit me the hardest after the French, that I had to stop doing that. The important thing is to learn a lesson every time you lose. Life is a learning process and you have to try to learn what's best for you. Let me tell you, life is not fun when you're banging your head against a brick wall all the time."

McEnroe will never be a gentle soul on the court, but his outbursts Sunday were leavened with humor. Early in the second set, he loudly urged a ballstrider to judge to "grow some hair." Later in the set, when he failed to convert two break points, he responded in a questioning call by lying spread-eagle on the court while laughter rolled through the National Tennis Center stadium.

At the postmatch news conference, he broke up a room full of several hundred people with a report as quick as a reflex volley. A reporter who had been the official scorer at Friday's baseball game and had awarded the Chicago Cubs' Keith Moreland a single that broke up Dwight Gooden's no-hit for the New York Mets, asked McEnroe to explain his startling statement.

"First you explain to me how you gave that guy a hit the other night," he shot back.

With one of his astonishing volleys, McEnroe deprived Lendl of the best chance he had in a match in which Lendl could never break serve. Lendl had a break point in the second game of the second set. On the next point, with McEnroe at the net after a first serve, Lendl unleashed one of his blistering passing shots. It nicked the net, McEnroe spun in a full circle and still had enough sense of where his opponent was to counter with a winning forehand volley.

"I was leaning in that direction,"

McEnroe said, as if totally unimpressed with himself. "Once it caught the net, I knew it was somewhere in that area, so I just adjusted from there."

"No matter what left-hander you find in the world," said Lendl, who has now lost three straight finals here, the first two to Connors, "none of them is going to serve and volley like McEnroe."

At the start, McEnroe logged himself around the court as if unspeakably weary. In his first service game, he scored four times on blazing serves as if desperate to play the points in the quickest way possible. Lendl, for his part, seemed perky, leaping from his chair at a changeover a full minute before the delay mandated by the television commercials.

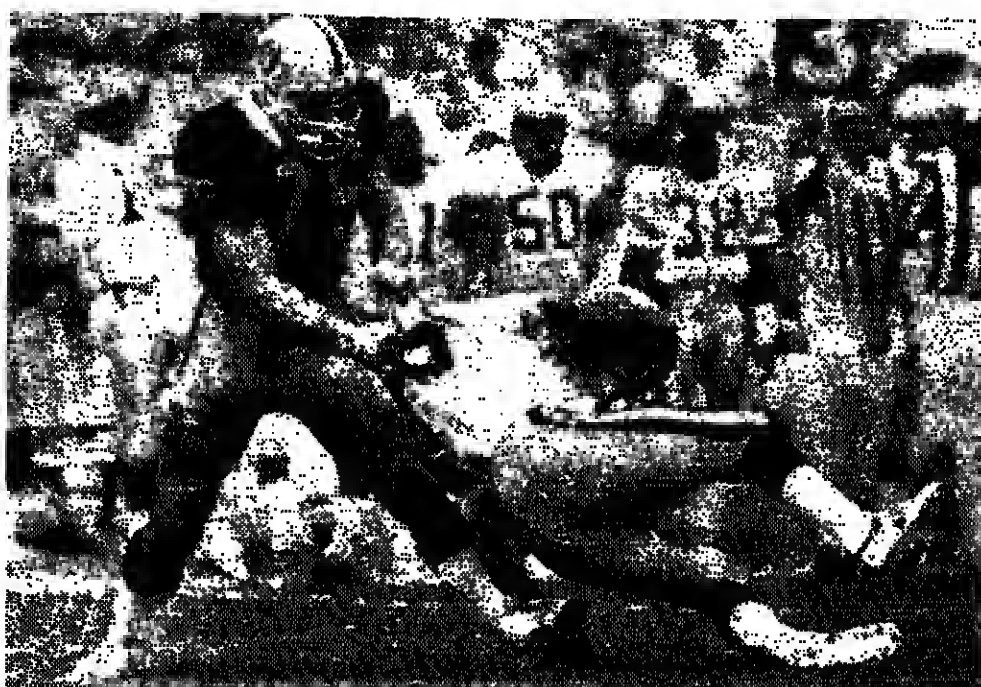
McEnroe gained the one break he needed in the sixth game of the set by angling a backhand volley, and he served out the next game in love, finishing with an ace to the forehand side that was so fast it was nearly invisible from a court-side seat. On his next service game, gunning for the set, he again held at love with three thunderbolt serves.

In the second set, McEnroe's one break came in the seventh game, but it was in the sixth that he most demonstrated his genius. He served to a 30-0 lead, but Lendl climbed back on one of McEnroe's six double faults and his own backhand cross-court winner. Then, rather than blasting the ball at Lendl, McEnroe offered a change-of-pace serve that caught him unaware. The game point was an ace, one of eight for McEnroe in the match, and it was even slower than the serve before it.

McEnroe raced to a 4-0 lead in the third set with two breaks, eager to "get in the driver's seat so I didn't do what I did in Paris." Lendl continued to play avidly, unlike in his final against Connors last year when he lost the advantage with a double fault at 5-4 in the third set and over on another game in the four-set match.

By winning the French Open, Lendl deprived McEnroe of a chance for a 1984 Grand Slam, with the last of the four major tournaments to be played in Australia in December. Martina Navratilova was awarded a revisionist Grand Slam for four titles spanning two calendar years, but McEnroe is a traditionalist on such matters.

"In my mind, I'd have to win it in the same year," he said. "But four in a row is pretty impressive, and I'd take that."



Howie Long of the Raiders dragging down Randy Wright, the Packers' quarterback, during their National Football League game Sunday in Los Angeles. The Raiders triumphed, 28-7.

Krieg Scores Twice to Lead Seahawks
To a 31-17 Triumph Over Chargers

Compiled by Our Staff From Dispatches

SEATTLE — Dave Krieg ran for two touchdowns and passed 22 yards to the rookie Darrell Turner for another score in leading the Seattle Seahawks to a 31-17 National Football League victory Sunday over the San Diego Chargers, who were playing without Kellen Winslow and Chuck Muncie.

The game marked the Seahawks' debut of Franco Harris, who was

NFL ROUNDOUP

signed last week to replace the injured Curt Warner. Harris, who is approaching Jim Brown's NFL rushing mark after 12 seasons with the Pittsburgh Steelers, carried 14 times for 46 yards in spot duty.

Despite Harris' much ballyhooed arrival in Seattle, it was Krieg who paced the Seahawks. After a dismal first quarter, Krieg bounced back to complete 18 of 38 passes for 263 yards. He was also Seattle's leading rusher with 61 yards on six carries.

Krieg ran 37 yards out of shotgun formation midway through the third period to snap a 10-10 tie. The touchdown scamper followed Dave Brown's interception at midfield, one of eight San Diego turnovers in the game.

Krieg scored again on a 3-yard sweep on the second play of the

fourth quarter to cap a 71-yard march and boost the Seahawks lead to 24-10. Seattle's other scores came on a 1-yard run by Eric Lane and a 41-yard field goal by Norm Johnson.

Colts 35, Oilers 21

In Houston, Mike Pagel threw three touchdown passes, two to Ray Butler, in lead Indianapolis in a 35-21 triumph over Houston. Pagel's first touchdown pass of the season, a 31-yarder to Butler with 72 seconds left in the first half, gave the Colts a 21-14 lead. He hit Butler again for 14 yards in the third quarter and connected with Tracy Porter for a 33-yard score in the fourth quarter.

Pagel completed 15 of 20 passes for 215 yards in directing the Colts to their first triumph of the season.

Raiders 28, Packers 7

In Los Angeles, Frank Hawkins, Marcus Allen and Derrick Jensen rushed for second-half touchdowns to help the Los Angeles Raiders down Green Bay, 28-7.

To improving to 2-0, the Raiders shut down Green Bay's explosive receivers by limiting John Jefferson to three catches and blanketing James Lofton. Green Bay, which used three quarterbacks, fell to 1-1. Randy Wright, a rookie from Wisconsin, replaced Lynn Dickey early in the first quarter after Dickey left with a bruised back. Dick Campbell took over for Wright in the fourth quarter after Wright tossed two interceptions.

Rams 20, Browns 17

In Anaheim, California, Ron Brown tied the score with a 5-yard touchdown catch and Mike Lansford kicked a 27-yard field goal with 1:25 remaining in the game to give the Los Angeles Rams a 20-17 victory over Cleveland. The Rams are 1-1 while Cleveland fell to 0-2. The game-winning drive was highlighted by the running of Eric Dickerson, who came back from a dismal, 8-yard first half to finish with 102 yards in 27 carries to lead all rushers.

Dolphins 28, Patriots 7

In Miami, Dan Marino tossed a pair of touchdown passes to Mark Clayton within a 1:36 span of the third quarter as Miami broke away from a halftime tie and went on to bury New England, 28-7. Marino, who threw five touchdown passes in Miami's season-opening 35-17 victory over Washington, teamed with Clayton on a 38-yard bomb with 12:38 remaining in the third quarter and capitalized on Charles Bowser's fumble recovery 1:36 later, this time connecting with Clayton on a 15-yard scoring pass.

Lions 27, Falcons 24

In Atlanta, Ed Murray drilled a 48-yard field goal 5:06 into overtime to give Detroit a 27-24 victory over Atlanta.

The Lions, squaring their record at 1-1, drove 51 yards with the extra point kickoff, with Gary Danielson contributing the key play, a 30-yard pass to David Lewis down the middle for a first down at the Atlanta 34.

Chiefs 27, Bengals 22

In Cincinnati, Todd Blackledge passed for two touchdowns and Nick Lowery kicked a 40-yard field goal with 1:50 remaining to seal Kansas City's 27-22 victory. Blackledge lofted a 46-yard scoring pass to Anthony Hancock and fired a 19-yard scoring strike to Carlos Carson to help the Chiefs improve to 2-0. Kansas City also got a 5-yard touchdown by Theotis Brown and field goals of 52 and 40 yards by Lowery. (AP, UPI)

VANTAGE POINT/Thomas Boswell

2 Young and Unhappy Millionaires

Washington Post Service

NEW YORK — Once an athlete reaches the top level of his game, it often seems that his central project suddenly becomes more complicated. Instead of learning to improve his game, he must learn to improve himself.

Where victory was once the only goal, the obsession becomes a search for grace and personal style.

Nobody tells the John McEnroes and Ivan Lendl that, after they have become stars, they must still become men who can carry themselves well in their own and in others' eyes.

At the U.S. Open on Sunday, both McEnroe, who won his national title for the fourth time, and Lendl, who lost in the final for the third straight year, seemed to make some tiny, arduous and incremental progress in their battles to change their personalities.

Neither one yet seems terribly happy with himself. Each talks constantly about his attempt at self-improvement. And each still agonizes that he is barely popular, rarely appreciated and seldom cheered.

Nonetheless, each seemed more at ease Sunday evening. McEnroe, with his customary triumph in a Grand Slam setting and Lendl with his customary humiliation.

Neither needs to learn much more about tennis. They stand as the top two in history in money winnings with \$12 million between them. What has tormented both in recent years is the thought that, while they may be winning at tennis, they may be losing at life.

Tennis often seems to be the sport of young unhappy millionaires, with McEnroe and Lendl the two saddest male examples of the phenomenon.

McNasty and Ivan the Choker. What gruesome nicknames for fellows who are not felons. In both their cases, great talent, dedication and wealth have all been tinged



Ivan Lendl...demoralized again.

with bitterness because of a flaw of temperament or, perhaps, merely by a set of mannerisms that run against the grain of contemporary social rules.

Some say that Lendl should work on his volley and his backhand. In his heart, what he really wishes he could improve are his smile and his snarl. Nobody thinks he has humor or heart.

After being demoralized to straight sets, 6-3, 6-4, 6-1, Lendl was at hand as only he knows how to be. He did not seem a fraction as demoralized Sunday, however, as he did last year after quitting in a 6-0 final set against Jimmy Connors.

"He was just playing well," Lendl said of McEnroe. "All I could do was just keep trying and I did." Lendl gave a credible effort to the end, despite a 225-minute, five-set match the day before.

"The only realistic change I can make in my strategy against him is to return his serve better," Lendl continued. "Without breaking him, you will never beat him. I just have to practice against left-handers and return and return and return. The problem is that, on matter what left-hander you find in the world, none of them is going to serve and volley like McEnroe."

Just as Lendl knows he must show more emotion, as he did in beating Cash, he also knows he must vary his strategy against McEnroe by coming to the net more often. But playing styles are linked to personality styles, and they are tough to change.

"He was coming in a lot early in the match," McEnroe said. "He surprised me. But after he got behind, he gave up on that strategy and just looked kind of discouraged."

Sometimes an athlete's progress is so slow that you wonder if it exists at all. Was Lendl's fire against Cash a mirage? Was that discouraged look Sunday afternoon the real Lendl returning?

If the jury is still out on Lendl's gumption and his ability to incorporate new tactics into a stiff-necked personality, then the first hints of a verdict may be arriving on McEnroe.

Maybe it is wishful thinking, maybe it is just the 89th New Year's resolution by a spoiled child, but it seems that McEnroe is growing up. A little.

"I think I've gotten better this year," he said of his behavior. "And part of the reason is that, after losing the French, I had to stay away from controversy. It was taking too much away from my game. I said to myself, 'I just gotta stop doing it.'"

In the first dozen games this day, when he was frazzled and short-fused from Saturday's effort against Jimmy Connors, McEnroe could have blown his cork and blown a title, too. Instead, he was over close in losing it.

Darling Hurls Mets Over Cubs, 5-1

United Press International

NEW YORK — Led by pitcher Ron Darling, shortstop Hubie Brooks and first baseman Keith Hernandez, the New York Mets beat Chicago, 5-1, on Sunday to move within six games of the division-leading Cubs. By winning two of the three games in the crucial weekend series, the Mets kept themselves alive.

Darling (12-6) was the star of Sunday's victory, stopping the hard-hitting Cubs on six hits before

tiring in the ninth. He was replaced by Jesse Orosco after giving up a leadoff homer to Gary Matthews. Orosco got the last three outs.

The Mets scored all of their runs in the sixth off relievers George Frazier and Warren Brusstar. Scott Sanderson left after five innings with back problems.

Sanderson had blanked the Mets on four hits over the first five innings, but Mookie Wilson opened the sixth with a triple off Frazier (5-3) and scored when Keith Hernandez doubled to right center. Darrell Strawberry struck out but reached first when the third strike bounced past catcher Jodie Davis for a wild pitch.

George Foster followed with a run-scoring single, and Brooks greeted Brusstar with his 15th homer of the season, a three-run shot.

Phillies 6, Expos 5

In Montreal, Rick Schu scored the tying run on a ninth-inning balk and again on John Russell's 11th-inning sacrifice fly to help Philadelphia snap a six-game losing streak with a 6-5 triumph over Montreal. The winner was Larry Andersen (3-3), and Kevin Gross gained his first save. Mike Schmidt hit his 30th home run for the Phils.

Cardinals 2, Pirates 1

In Pittsburgh, Andy Van Slyke hit his sixth homer, and Danny Cox and Bruce Sutter combined on a seven-inning shutout. Sutter (2-1) benefited from four double plays. Sutter picked up his 40th save, extending his National

League record. The major-league record is 45, set last season by the Royals' Dan Quisenberry.

Padres 8, Astros 4

In San Diego, Steve Garvey and Carmelo Martinez drove in two runs apiece to help the Padres beat Houston, 8-4. The Padres' magic number for clinching the first title in their 16-year history is 11. Mark Thurmond (13-7) was the winner. Mike LaCoss (7-4) took the loss.

Reds 5, Dodgers 1

In Los Angeles, Tom Browning scattered 10 hits over 8½ innings in his major-league debut in lead Cincinnati to a 5-1 victory over Los Angeles.

Giants 6, Braves 4

In San Francisco, Rob Deer ripped his first major-league homer, and rookie Chris Brown chipped in a two-run double to lead the Giants to a 6-4 triumph over Atlanta. Mark Davis (5-16) was the winner in relief, and Greg Minton earned his 18th save.

Royals 6, Mariners 5

In the American League, at Kansas City, Darrell Motley and Don Slaught drilled back-to-back sacrifice flies in the ninth inning to rally the Royals to a 6-5 victory over Seattle. The triumph enabled the Royals to assume the lead in the American League West.

Rangers 9, Twins 3

In Minneapolis, the Twins fell a game back when Donnie Scott hit a three-run homer and Charlie Hough continued his pitching mas-

League record. The major-league record is 45, set last season by the Royals' Dan Quisenberry.

White Sox 8, Angels 2

In Chicago, Tom Seaver pitched a four-hitter for his 287th victory, and Greg Walker hit his 234th home run of the year to pace Chicago to an 8-2 triumph over Cleveland.

Red Sox 10, Yankees 1

In Boston, Jim Rice hit a two-run homer, and Wade Boggs had four hits and drove in two runs as Boston beat New York, 10-1. Al Nipper (9-5) scattered five hits to pitch his fifth complete game. The rookie struck out three and walked three and did not allow an earned run. Marty Bystrom fell to 2-2.

Orioles 4, Brewers 0

In Baltimore, Mike Boddicker registered his 18th victory, and Cal Ripken hit his 24th home run, lifting the Orioles to a 4-0 victory over Milwaukee. Bob Gibson (0-3) took the loss.

Indians 7, A's 5

In Cleveland, Julio Franco singled home Junior Noboa with the go-ahead run to cap a five-run fourth, leading the Indians to a 7-5 victory over Oakland.

Tigers 7, Blue Jays 2

In Toronto, Kirk Gibson hit a three-run homer, and Lance Parrish chipped in a two-run single, helping Detroit complete a sweep of their three-game series with a 7-2 victory over Toronto. The decision reduced the Tigers' magic number for clinching the division title to nine. Milt Wilcox (16-7) recorded his fifth consecutive victory.

Lions 27, Falcons 24

In Atlanta, Ed Murray drilled a 48-yard field goal 5:06 into overtime to give Detroit a 27-24 victory over Atlanta.

The Lions, squaring their record at 1-1, drove 51 yards with the extra point kickoff, with Gary Danielson contributing the key play, a 30-yard pass to David Lewis down the middle for a first down at the Atlanta 34.

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SCOREBOARD

Baseball

Sunday's Major League Line Scores

Team	Score	Opponent	Score
Seattle	5-1	Chicago	1-5
San Francisco	6-4	Atlanta	4-6
Los Angeles	7-5	Oakland	2-3
San Diego	10-1	New York	1-9
St. Louis	10-1	Philadelphia	5-6
Minnesota	8-2	Cleveland	2-3
San Francisco	6-4	Atlanta	4-6
Los Angeles	7-5	Oakland	2-3
San Diego	10-1	New York	1-9
St. Louis	10-1	Philadelphia	5-6
Minnesota	8-2	Cleveland	2-3

Standings

Team	W	L	Pct.	GB
Chicago	86	57	.601	0
New York	80	63	.559	8
St. Louis	74	67	.523	14
Philadelphia	74	68	.521	14
Philadelphia	70	72	.493	18
Pittsburgh	62	81	.434	26

